STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF CONNECTICUT)

FINANCIAL STATEMENTS
JUNE 30, 2015

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Independent Auditors' Report

To the Board of Directors of the
Connecticut Health and Educational Facilities Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the State of Connecticut Health and Educational Facilities Authority (the Authority), a component unit of the State of Connecticut as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Authority as of June 30, 2015 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the July 1, 2014 net position of the Authority has been restated to present the Authority and its discrete component units separately and not combined as previously reported. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in July 1, 2014, pursuant to Public Act No. 14-217, the Connecticut Student Loan Foundation (CSLF) was statutorily consolidated into the Authority as a subsidiary thereof and became a quasi-public agency of the State of Connecticut, which is now being reported as a component unit. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules contained on pages 44 – 55 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2015 combining schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The 2014 combining schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Crowe Horwath LLP

Simsbury, Connecticut
October 21, 2015

This Management's Discussion and Analysis (MD&A) of the State of Connecticut Health and Educational Facilities Authority's (CHEFA's or the Authority's) activities and financial performance provides the reader with an introduction to the audited financial statements for the fiscal year ended June 30, 2015. Following this MD&A are the financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

CHEFA is a conduit issuer of tax-exempt bonds issued on behalf of non-profit healthcare institutions, higher education institutions and independent schools, childcare facilities, long-term care facilities, cultural institutions and various other qualified non-profit institutions pursuant to Connecticut General Statutes Chapter 187, Sections 10a-176 through 10a-198. These tax-exempt bonds are financial obligations of the institution on whose behalf CHEFA issues the bonds. The issuance of tax-exempt bonds can provide funds for new construction projects, the refinancing of eligible existing debt, funding of Debt Service Reserve Funds (if applicable), and funding of issuance costs.

Effective July 1, 2012, the Connecticut Higher Education Supplemental Loan Authority (CHESLA) was statutorily consolidated with CHEFA, as a subsidiary of CHEFA. CHESLA issues tax-exempt bonds in order to fund student loans for the higher education of students in or from the State of Connecticut. CHESLA's bonds are repaid from student loan repayments and are further supported by a Special Capital Reserve Fund, the replenishment of which is deemed appropriated by the State of Connecticut.

In July 2014, pursuant to Public Act No. 14-217, the Connecticut Student Loan Foundation (CSLF) was statutorily consolidated with CHEFA as a subsidiary thereof and became a quasi-public agency of the State of Connecticut.

CSLF is a Connecticut State-chartered nonprofit corporation established pursuant to State of Connecticut Statute Chapter 187a and governed by Title IV, Part B of the Higher Education Act of 1965, as amended, for the purpose of improving educational opportunity. Generally, CSLF is empowered to achieve this purpose by originating and acquiring student loans and providing appropriate services incident to the administration of programs which are established to improve educational opportunities. CSLF no longer originates or acquires student loans. CSLF's fiscal year end was changed effective October 1, 2014 to a June 30 fiscal year end.

The Authority's financial statements reflect the operations of CHEFA, CHESLA and CSLF. Combining schedules are provided as supplemental information. The financial statements use proprietary fund reporting and report the financial position in three basic financial statements: (1) a statement of net position; (2) a statement of revenues, expenses and changes in net position; and (3) a statement of cash flows.

This Management's Discussion and Analysis is broken into three major segments, CHEFA, CHESLA and CSLF, each addressing the operations of the individual entities with a review for FY 2015, FY 2014 and FY 2013. Financial information presented in each section is derived from the supplemental consolidating schedules included with the financial statements and from management records.

As discussed in Note 1 to the financial statements, the July 1, 2014 net position of the Authority has been restated to present the Authority and its discrete component units separately and not combined as previously reported. The independent auditors' opinion is not modified with respect to this matter.

The following pages are overviews of the major components of each entity. All amounts are expressed in thousands.

(Amounts Expressed in Thousands)

CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY (CHEFA or the Authority)

	2015		2014		2013	
	# of issues	Par amount	# of issues	Par amount	# of issues	Par amount
Healthcare	3	$ 263,025	5	$ 891,820	3	$ 207,145
Higher education	5	331,275	5	240,610	3	46,060
Private secondary schools	5	78,741	6	65,426	10	103,609
Long-term care	2	16,200	1	5,000	1	44,454
Child care	1	33,475	-	-	-	-
Other	1	27,500	1	9,987	1	20,000
	17	$ 750,216	18	$ 1,212,843	18	$ 421,268

# of issues – reflects all multiple series issues, as one issuance

In FY 2015, CHEFA bond issuance dollar volume decreased 38.1% over FY 2014 and remained at the second highest level in the past three fiscal years. Although the number of bond offerings remained relatively level to FY 2014 levels, the average issue size declined from approximately $67,400 in FY 2014 to $44,200 in FY 2015. For the first time in three years, unenhanced public offerings accounted for the largest amount for dollar volume at 62.4%. The Higher Education sector accounted for the largest dollar volume at $331,275 (5 bond issues) with Yale University issuing over 75% of the total dollar volume for the sector.

Other highlights for FY 2015 are as follows:

- Approximately 58% of dollar volume in FY 2015 represented new money offerings
- Approximately 69% of dollar volume represented variable rate transactions
- One bond offering was backed by the Special Capital Reserve Fund

In FY 2014, CHEFA bond issuance dollar volume increased 188% over FY 2013 and approximately equal to the near record breaking dollar volume experienced in FY 2012. While the number of bond offerings equaled FY 2013 level of 18, the average bond issue size increased from approximately $23,400 to $67,400. During FY 2014, CHEFA continued to experience a significant number of privately placed transactions. Approximately 72.2% of CHEFA's total issues were privately placed, most often directly with local or regional banks. The Healthcare sector issued the greatest amount of bonds in FY 2014 consisting of 5 bond offerings totaling $891,820, with Yale-New Haven Health issuing over 60% of the total dollar volume for the sector.

Other statistics for FY 2014 are as follows:

- Approximately 72% of dollar volume in FY 2014 represented refunding
- Approximately 56% of dollar volume represented variable rate transactions
- One bond offering was backed by the Special Capital Reserve Fund

In FY 2013, CHEFA bond issuance volume was at its lowest level in the three past years, with 18 offerings totaling $421,268, with an average issue size of approximately $22,000. During FY 2013, CHEFA experienced a significant number of privately placed transactions with approximately 62% of CHEFA dollar issuance volume and 74% of total issues. The independent schools accounted for the largest issuance volume (approximately 56%), while the healthcare sector accounted for the largest dollar volume (approximately 50%).

(Amounts Expressed in Thousands)

Annual Fees - The following is a summary of the revenues generated from annual administrative fees charged during FY 2015, FY 2014 and FY 2013 based on the Board approved administrative fee of 9 basis points (.0009) on the outstanding balance for all market segments with the exception of Special Capital Reserve Fund long-term care bond issues which have a 14 basis points (.0014) fee:

	2015	2014	2013
Healthcare	$ 2,461	$ 2,374	$ 2,308
Higher education	4,228	4,003	3,930
Private secondary schools	564	581	572
Long-term care	165	166	177
Child care	52	58	59
Other	43	52	64
	$ 7,513	$ 7,234	$ 7,110

CHEFA fee revenue has increased, reflecting the impact of new issuances and the par amount of bonds outstanding.

Statements of Net Positions - The table below reflects CHEFA's Statements of Net Position, as shown in the Statement of Net Position-CHEFA, of the financial statements for FY 2015, with comparable for FY 2014 and FY 2013 provided by management.

	2015	2014	2013
Assets			
Current unrestricted assets:			
Cash	$ 441	$ 361	$ 227
Accounts receivable	155	617	195
Board designated investments	5,413	11,617	10,638
Prepaid expenses and other assets	74	80	91
Total current unrestricted assets	6,083	12,675	11,151
Current restricted assets:			
Cash	-	-	57
Fund investments	323,724	407,730	507,721
Total current restricted assets	323,724	407,730	507,778
Non-current assets:			
Restricted investments	10,407	7,088	7,167
Capital assets, net	169	171	178
Total assets	$ 340,383	$ 427,664	$ 526,274

(Amounts Expressed in Thousands)

	2015	2014	2013
Liabilities			
Current liabilities	$ 322,521	$ 410,720	$ 509,451
Non-current liabilities	2,172	2,182	2,182
Total liabilities	324,693	412,902	511,633
Net position			
Invested in capital assets	169	171	178
Restricted	11,735	4,906	4,985
Unrestricted	3,786	9,685	9,478
Total net position	15,690	14,762	14,641
Total liabilities and net position	$ 340,383	$ 427,664	$ 526,274

Current unrestricted assets

Cash – Normal operating activity has resulted in fluctuations in unrestricted cash, as reflected in an $80 increase in FY 2015, to a balance of $441. This compares to a $134 increase in FY 2014 to a balance of $361 and a $49 decrease in FY 2013 with a balance of $227.

Accounts Receivable – This represents receivables for annual administrative fees and annual trustee fees paid by CHEFA and billed to the institutions, net of allowances. The variability over the past three years, ranging from $195 in FY 2013, $617 in FY 2014 and $155 in FY 2015 is mainly a reflection of the par amount of bonds outstanding and the timing of billing and payments received.

Board Designated Investments – Public Act (PA) 15-244, Section 94 and 95 requires CHEFA to transfer the sum of $3.5 million, "to be credited to the State of Connecticut General Fund, on or before June 30, 2016" and an additional $3.5 million "on or before June 30, 2017".

In FY 2015, the decrease in investments of $6,204 reflects the reclassification of $3,500 to current restricted fund investments and $3,500 to Non-current restricted investments from Board designated investments, providing for PA 15-244, net of a $795 increase from operations for a total balance of $5,413. FY 2014's increase of $979 resulted from favorable operating performance. Authority funds are invested in accordance with the Authority's Board approved investment policy.

Current restricted assets

Fund Investments – Represent those assets primarily associated with construction funds managed and held by CHEFA on behalf of its client institutions. They include the construction account, capitalized interest account and the cost of issuance account. Fund investments of $323,724 reported for FY 2015 are 20% lower than FY 2014's funds of $407,730, which had been 20% lower than FY 2013. In addition, Fund investments include proceeds of tax-exempt equipment loan financings completed by the Authority through its Easy Loan program, for FY 2014 and FY 2013. There were no Easy Loans issued in FY 2015. Fund investments reported for FY 2015 also includes $3,500 of funds for PA 15-244, due before June 30, 2016.

Exhibit A, attached to this Management's Discussion and Analysis, details the construction fund cash and investment balances as of June 30, 2015, 2014, and 2013 and the corresponding CHEFA financing.

The Construction Funds are managed by the Authority on behalf of the borrowing institutions. The proceeds are invested and managed in accordance with an investment policy that is approved by the Authority's Board of Directors and are invested in strict accordance with the relevant provisions of the respective bond issue trust indentures and with Connecticut state law. Bond funds are generally invested in the Institutional Government Money Market Fund; State of Connecticut Treasurer's Short-Term Investment Fund; obligations issued or guaranteed by the U.S. Government; and Qualified Guaranteed Investment Contracts complying with Connecticut General Statutes Section 10a-180(s).

Non-current assets

In order to distinguish the commitment of certain CHEFA assets for specific purposes, management has identified "Non-current assets - Restricted investments" as those assets which are legally required to be held for a specific program or purpose.

For FY 2015 and FY 2014, Non-current assets - Restricted investments, for the School Readiness and Child Daycare Guaranteed Loan Fund Program consist of $4,320, for each year and for FY 2015, $2,172 in amounts held for the State of Connecticut in connection with the child care Small Direct loan and Guaranteed Loan Programs compared to $2,182 in FY 2014. The Connecticut Credit Union Student Loan Guarantee Program (CUSLP) totaled $415 and $587 (respectively). The CUSLP is not currently accepting new loans and the Authority is only holding an amount equal to its current exposure under the program. These amounts are consistent with amounts held in FY 2014 and FY 2013 in those programs. In addition, as noted above, PA 15-244, requires CHEFA to transfer the sum of $3,500 to the State of Connecticut General Fund, on or before June 30, 2017 and therefore this amount has been restricted as a non-current investment.

Liabilities

Accounts payable and accrued expenses – Accounts payable and accrued expenses decreased to $2,297 in FY 2015 from $2,990 in FY 2014. This fluctuation was in the normal course of business. Accrued expenses reflects a decrease in amounts awarded through CHEFA's Non Client Grant program. In FY 2014 and FY 2013, the accounts payable and accrued expenses increased due to CHEFA's grant program.

Amounts held for institutions – The $320,224 for FY 2015, $407,730 for FY 2014, and $507,778 for FY 2013, reflect the amount held by the Authority for client construction funds, including the construction account, the cost of issuance account, equity account and the capitalized interest account. This also includes proceeds of the Authority's tax-exempt equipment financing program (Easy Loan). Fluctuations in the amounts occur as new projects are funded and as disbursements are made on new or existing projects.

Non-current liabilities – This reflects the amounts held by the Authority pursuant to Public Act 97-259 for school readiness and child day care programs. The Act provided $1,500 to fund the loan guarantees for the Guaranteed Loan Fund Program managed by Peoples United Bank and $750 to fund the guarantees for the Small Direct Loan Fund Program (SDLFP) managed by the Connecticut Community Investment Corporation (CTCIC). As of June 30, 2015, a balance of $672 remains for the SDLFP guarantee. A total of $78 has been disbursed to CTCIC for defaulted loans at June 30, 2015, increased from $68 at June 30, 2014.

Net position

For FY 2015, total net position increased by $928 from FY 2014 levels, reflecting the decrease in grant expense and a slight increase in administrative fees, compared to FY 2014. FY 2014 had a total net assets increase of $121 compared to FY 2013 levels. The results reflect normal operating and other activity.

The net restricted position has been adjusted to reflect the future transfers with respect to Public Act 15-244, Sections 94 and 95.

(Amounts Expressed in Thousands)

	2015	2014	2013
Operating revenues:			
Administrative fees	$ 7,513	$ 7,233	$ 7,110
Bond issuance fees	90	80	158
Other revenue	215	178	241
Total operating revenues	7,818	7,491	7,509
Operating expenses:			
Salaries and related expenses	2,896	2,848	2,844
General and administrative	1,014	1,023	1,057
Total operating expenses	3,910	3,871	3,901
Total operating income	3,908	3,620	3,608
Non-operating activity:			
Investment income	13	9	14
Grant expense	(2,993)	(3,508)	(2,267)
Change in net position	$ 928	$ 121	$ 1,355

Operating revenues

Administrative fees – 17 bond issues closed in FY 2015, 18 in FY 2014 and 18 bond issues also closed in FY 2013. Although volume dollars decreased, the CHEFA fee revenue continued to increase. Fees are calculated on the total par amount outstanding in any given year. CHEFA administrative fee revenue increased by $280, (3.8%) to $7,513 in FY 2015, compared to $123 (2%) in FY 2014 to $7,233 and $154 to $7,110 in FY 2013.

Bond issuance fees – This amount reflects the upfront fees paid to the Authority in connection with each bond transaction. These amounts fluctuate in correlation to the number of transactions in any given year.

Other revenue – Represents recovery of certain expenses, including grant expense. In FY 2015, other revenue also includes $149 from CHESLA to cover support services provided by CHEFA. Support fees included for FY 2014 and FY 2013, were $154 and $114, respectively and included a rent component of $12 and $4, respectively.

Operating expenses

Salaries and related Expenses – Increased by $48 in FY 2015 to $2,896, by $4 in FY 2014 to $2,848, and by $49 in FY 2013 to $2,844.

General and administrative expenses – In FY 2015 expenses decreased to $1,014 from FY 2014's total of $1,023. The decline of $9 continues FY 2013's downward trend.

Non-operating revenues/(expenses)

Investment income – In FY 2015 was $13, a slight increase over FY 2014's income of $9, reflecting an increase from the prior year's low interest rate environment.

(Amounts Expressed in Thousands)

Grant expense – Decreased in FY 2015 by $515, moving closer to previous fiscal year levels, after an increase in FY 2014 by $1,241. $1,250 was awarded to CHEFA clients and $1,325 to non-clients. Additionally, $418 was awarded to two entities under the Target Investment Grant Program. Comparable figures for FY 2014 and FY 2013 are $1,008, $2,500 and $0, respectively.

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY (CHESLA)

Student Loans - CHESLA provides financial assistance in the form of education loans to students in or from the State. CHESLA is authorized to issue tax-exempt bonds, the proceeds of which are used to fund education loans to applicants meeting certain eligibility requirements. The repayments of such loans service the debt on CHESLA bonds. Public Act 12-149, effective July 1, 2012, statutorily consolidated CHESLA with the Connecticut Health and Educational Facilities Authority (CHEFA).

	2015	2014	2013
In State Institution:	**14/15 Term**	**13/14 Term**	**12/13 Term**
Jul - Sept (1Q)	$ 3,689	$ 5,218	$ 4,895
Oct - Dec (2Q)	625	661	5,064
Jan - Mar (3Q)	3,550	5,666	1,194
Apr - Jun (4Q)	213	320	213
Total In State Institution	8,077	11,865	11,366
Out of State Institution:			
Jul - Sept (1Q)	2,698	3,561	3,636
Oct - Dec (2Q)	1,149	899	3,917
Jan - Mar (3Q)	3,737	4,283	755
Apr - Jun (4Q)	144	231	71
Total Out of State Institution	7,728	8,974	8,379
Total:			
Jul - Sept (1Q)	6,385	8,779	8,531
Oct - Dec (2Q)	1,773	1,560	8,981
Jan - Mar (3Q)	7,287	9,949	1,949
Apr - Jun (4Q)	357	551	284
Total	$ 15,802	$ 20,839	$ 19,745

In FY 2015, CHESLA disbursed $15,802 in loan dollars as compared to $20,839 in FY 2014 and $19,745 in FY 2013. The 2015 disbursements reflect a decrease of approximately 24% over FY 2014 which had reported a 5.25% increase over FY 2013 levels. Approximately 51% of the disbursement volume in FY 2015 went to students attending institutions within the State of Connecticut. Loan funds were primarily derived from proceeds from the 2014 Series A Bonds issued on June 18, 2014 with a 6.75% interest rate. CHESLA issued its 2015 Series A Bonds on July 2, 2015, in the par amount of $21,465. Loans made from the 2015 Series A Bonds and pursuant to applications for 2014 Series A bond proceeds after May 21, 2015 carry an interest rate of 4.95%.

(Amounts Expressed in Thousands)

CHESLA annual administrative fees - Calculated on the outstanding balances of loans. The fees vary in accordance with the loan series and range from 30 to 100 basis points. Since FY 2011, the administrative fees for loans associated with the 1990 resolution (which most recently includes loans made with 2010, 2013 and 2014 bond proceeds) have been 30 basis points. As older loans with higher fees have been paid down, revenues have decreased as shown below. The budget for FY 2016 includes an increase in the 1990 resolution administrative fees to 50 basis points.

		Admin Fee Basis Points	**2015**	**2014**	**2013**
1994 Bond/Loan Program		100	$ -	$ -	$ 2
1996 Bond/Loan Program		70	-	-	3
1998 Bond/Loan Program	^	30	1	1	3
1999 Bond/Loan Program	^	30	3	3	6
2000 Bond/Loan Program	^	30	5	6	10
2001 Bond/Loan Program	^	30	10	14	18
2003 Bond/Loan Program		100	59	76	94
2005 Bond/Loan Program		100	106	129	152
2006 Bond/Loan Program		100	113	136	159
2007 Bond/Loan Program		60	115	136	157
2009 Bond/Loan Program	^	30	51	58	62
2010 Bond/Loan Program		30	94	104	88
2013 Bond/Loan Program		30	66	36	-
2014 Bond/Loan Program		30	20	-	-
Total Revenues			$ 643	$ 699	$ 754

^ Administrative fee was 60 basis points in FY 2011 and 30 basis points thereafter.

CHESLA accounts for its financial position and operations through four primary funds, an agency operating fund, two bond funds (which reflect activity associated with bonds issued and student loans made in connection with two bond resolutions, a 1990 resolution and a 2003 resolution), and a non-bond fund (which will hold scholarship funds).

(Amounts Expressed in Thousands)

The financial overview of CHESLA that follows in this MD&A represents the combined results and financial position for all four funds:

	2015	2014	2013
Assets:			
Current unrestricted assets:			
Cash and investments	$ 1,326	$ 1,156	$ 1,230
Due from CSLF	2,000	-	-
Board designated investments	1,000	1,000	1,000
Other	148	151	165
Total current unrestricted assets	4,474	2,307	2,395
Current restricted assets:			
Trust investments	28,512	41,428	37,509
Current portion of loans receivable, net	16,754	18,605	18,652
Interest receivable on loans	465	476	519
Total current restricted assets	45,731	60,509	56,680
Total current assets	50,205	62,816	59,075
Non-current assets:			
Restricted investments	23,557	23,163	22,036
Loans receivable, net of current portion	102,988	105,353	102,743
Bond issuance costs, net	155	199	248
Total noncurrent assets	126,700	128,715	125,027
Total assets	$ 176,905	$ 191,531	$ 184,102
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	$ 2,073	$ 241	$ 36
Current portion of bonds payable	11,105	10,765	10,275
Accrued interest payable	814	822	761
Current portion of deferred revenue	-	-	-
Total current liabilities	13,992	11,828	11,072
Non-current liabilities	144,573	164,086	158,225
Total liabilities	158,565	175,914	169,297
Net position:			
Unrestricted	2,417	2,270	2,360
Restricted	15,923	13,347	12,445
Total net position	18,340	15,617	14,805
Total liabilities and net position	$ 176,905	$ 191,531	$ 184,102

Current unrestricted assets

Cash and investments - For the operating fund, totaled $2,230 in FY 2013, $2,156 in FY 2014 and $2,326 in FY 2015, this represents an increase in FY 2015 of 8% over FY 2014.

In FY 2015, after approval from the CHESLA board on June 9, 2015, the CHESLA Need-Based Scholarship program was created and funded with a $2,000 transfer from the Connecticut Student Loan Foundation. The program provides scholarships to undergraduate students in need of assistance. Funds are allocated to each Connecticut undergraduate school based on enrollment and are disbursed as the schools submit the required documentation. Each institution is charged to distribute funds to students in accordance with CHESLA guidelines, with a maximum amount per academic year of $3 per student, as a last dollar funding. The $2,000 transfer from CSLF is recorded in a Non Bond Fund (recorded as "Due from CSLF" and "Non Operating Income") on the audited financials.

Current restricted assets

Current portion of loans receivable (net of loan loss allowances) - Comprises 37% of the total current restricted assets. In FY 2015, current loans receivable totaled $16,754, a decrease of $1,851 or 9% from the prior year. In FY 2014, current loans receivable decreased by 4% or $47 from FY 2013 loans receivable.

Other current restricted assets consist primarily of trustee held funds associated with the bond resolutions representing dollars in the loan fund, revenue fund, or debt service fund.

Non-current assets

Non-current restricted investments - primarily consist of assets held in the Special Capital Reserve Funds, which are the debt service reserve funds backed by the State of Connecticut associated with outstanding bonds. Dollar amounts have fluctuated as bonds have been redeemed or new bonds have been issued.

Loans receivable - Is the largest component of non-current assets, with $102,988 due to CHESLA at FYE 2015, a decrease from $105,353 in FY 2014 and level to FY 2013 at $102,743.

On June 18, 2014, $23,000 of bonds were issued for the purpose of providing loans to students. Based on cash flows developed with the Authority's financial advisor, prevailing market conditions, and the Authority's equity contribution of $300, loans from this bond series initially carried an interest rate 6.75%. At June 30, 2015, approximately $9,300 of the 2014 Series A bond proceeds remained available.

On June 10, 2015, the Authority priced its 2015 Series A bonds which closed on July 2, 2015. The Authority's equity contribution of $2,000, derived from a CSLF board approved transfer, resulted in a loan rate of 4.95%. The Authority also applied the 4.95% rate to remaining Series 2014 bond proceeds used to make loans after May 21, 2015.

Prepaid bond insurance - Premiums decreased by $275 in FY 2015 and decreased by $49 in FY 2014. With the adoption of GASB 65, in FY 2013, unamortized bond issuance costs are only reflected to the extent that they relate to bond insurance premium costs.

Total non-current assets - Decreased to $126,700 from $128,715 in FY 2014 and $125,027 in FY 2013.

Liabilities

Current Liabilities

Current portion of bonds payable and accrued interest payable on the bonds - Comprise the largest component of current liabilities, 85% in FY 2015, a decrease from 98% in FY 2014 and 99% in FY 2013.

(Amounts Expressed in Thousands)

Long-Term Liabilities

Bonds payable (net of the current portion) - Also represents the largest component of long-term liabilities. Fluctuations in bonds payable since FY 2013 reflect principal payments and redemptions and the additional bonds issued in FY 2013 and FY 2014. No bonds were issued in FY 2015.

Net Position

Net position - For FY 2015 is $18,340, an increase of 17% over the FY 2014 level of $15,617. FY 2014 was an increase of $812 over the total net position of $14,805 for FY 2013 which reflected the net impact of operations and implementation of GASB 65, which eliminated unamortized bond issuance costs and deferred revenue, affecting the net position.

	2015	2014	2013
Operating revenues:			
Interest income - loans receivable	$ 8,368	$ 8,530	$ 7,867
Total operating revenues	8,368	8,530	7,867
Operating expenses:			
Interest expense	6,690	6,722	6,483
Loan service fees	563	706	532
Bond issuance and insurance costs	104	379	524
General and administrative expenses	484	453	472
Salaries and related expenses*	192	197	189
Provision for loan losses (benefit)	760	302	(106)
Arbitrage rebate and excess loan yield provision	-	-	35
Total operating expenses	8,793	8,759	8,129
Total operating income	(425)	(229)	(262)
Non-operating revenues (expenses):			
Investment income	1,148	1,041	388
Scholarships	(2,000)	-	-
Revenues from CSLF	4,000	-	-
Change in net position	$ 2,723	$ 812	$ 126

* The salary only expense for FY 2015, FY 2014 and FY 2013 was $147, $144 and $140 (respectively).

Revenues

Interest income – Received from interest on loans receivable is the largest component of operating revenues. Interest decreased by $162 in FY 2015 to $8,368, after increasing in FY 2014 by $663 to $8,530. FY 2013's interest income had been relatively stable at approximately $7,900.

Investment income – Increased slightly to $1,148 in FY 2015 from $1,041 in FY 2014 and $388 in FY 2013.

Expenses

Interest expense - Represents the largest component of operating expenses and decreased by $32 to $6,690 in FY 2015 and by $239 to $6,722 in FY 2014 as compared to $6,483 in FY 2013.

Loan service fees - Also decreased $143 in FY 2015, as compared to an increase of $174 in FY 2014, reflecting the decrease in the amount of loans originated and serviced.

Support Services – In FY 2013 CHEFA support service fees were assessed to provide services to CHESLA. The total charge for FY 2013 was $114, including a rent component of $4. In FY 2014, CHESLA was assessed a service charge by CHEFA of $154, including rent of $12. For FY 2015 CHEFA support services totaled $149 in addition to rent of $13, such amounts affect the agency fund.

Salaries and related expenses - Each fiscal year includes salaries, payroll taxes, employee pension benefits, employer funded health benefit costs, and tuition reimbursements. In FY 2015, $147 of the $192 represents actual salary, compared to $144 of the $197 in FY 2014 and $140 of the $189 for FY 2013.

Provision for loan losses - Based on a weighted average factor of collections, net of write-offs, relative to loans issued and outstanding. The methodology used for FY 2013 and FY 2014 did not include a factor for the newer loan portfolios (2010, 2013 and 2014 Loans), most of which were not in repayment, and therefore currently reported little or no defaults. During FY 2015, management reviewed the weighted average calculation to determine a more conservative approach for the allowance. It was determined that the calculation would include a historical weighted average factor (using the loan portfolios which were older than 5 years) and then applying that factor to the newer loan portfolios. This method increased the Provision for Loan Loss by $458 for FY 2015.

CONNECTICUT STUDENT LOAN FOUNDATION (CSLF)

2015 Highlights and Events

Effective July 1, 2014, the Connecticut Student Loan Foundation (CSLF) was statutorily consolidated with the Connecticut Health and Educational Facilities Authority (CHEFA) as a subsidiary thereof and became a quasi-public agency of the State of Connecticut by operation of Connecticut Public Act 14-217. Such legislation also provides that the board of directors of CSLF shall be identical to the board of directors of the Connecticut Higher Education Supplemental Loan Authority (CHESLA), also a CHEFA subsidiary. The legislation further provides that CSLF shall have the privileges, immunities and exemptions of CHEFA, may continue to exercise the powers granted to CSLF by Chapter 187a of the Connecticut general statues and shall be subject to suit and liability solely from the assets, revenues and resources of CSLF, without recourse to CHEFA, to any other subsidiary of CHEFA.

After the consolidation with CHEFA and following the completion of its audited financial statements for the fiscal year ending September 30, 2014, CSLF changed its fiscal year end from September 30 to June 30, in order to coordinate its year end with CHEFA's. The information presented in this Management Discussion and Analysis and associated financial statements represents a twelve month period ending June 30, 2015 (FY 2015).

Connecticut Public Act 14-47 required the transfer by June 30, 2015 of a total of $25,000 of CSLF's financial assets to fund certain separately administered Connecticut higher education programs (Legislative Mandates). CSLF completed funding these Legislative Mandates during the twelve months ending June 30, 2015.

As of June 30, 2015, the Aggregate Value of Trust Estate assets (Trust Assets) was approximately $346,600, the sum of the unpaid principal and accrued interest on all Senior Obligations and of all accrued and unpaid Program Expenses (Senior Trust Liabilities) was approximately $236,900 and the sum of the unpaid principal and accrued interest on all Obligations and of all accrued and unpaid Program Obligations (Total Trust Liabilities) was approximately $313,400. The Indenture requires a minimum cash balance of 0.75%. The CSLF Board has adopted a minimum cash requirement of 2.0%. In addition, the Board adopted a funds management policy that utilizes excess cash to optionally redeem bonds. During FY 2015, $50,800 of bonds were redeemed under this policy.

The 2004 Indenture currently permits the release of funds from the Trust Estate, subject to certain conditions that include: (i) the resulting ratio of Trust Assets to Senior Trust Liabilities equals or exceeds 105%; (ii) the resulting ratio of Trust Assets to Total Trust Liabilities (Parity Ratio) equals or exceeds 102.5%; and (iii) the resulting excess of Trust Assets over Total Trust Liabilities equals or exceeds $3,000. The CSLF Board has adopted a policy that requires maintenance of a Parity Ratio of 104.0%. During FY 2015 the Board released approximately $2,800 to fund specific initiatives and projects.

Overview of the financial statements

CSLF's financial statements detail financial information using accounting principles generally accepted in the United States of America ("GAAP") for state and local governments used for specific business types similar to those used in the private sector (accrual accounting).

The statement of revenues, expenses and changes in net assets (i) provides information regarding CSLF's operations and (ii) reconciles the beginning and end of year net asset balances.

The balance sheet reports all of CSLF's assets, liabilities and net assets as of June 30, 2015.

Total net position reflects the net impact of operations including impacts due to Legislative Mandates and Special Item.

The statement of cash flows provides additional information relating to CSLF's 12-month cash receipts and cash payments.

The notes to the financial statements are an integral part of the financial statements and provide supplemental information to give the reader a more complete understanding of CSLF's operations.

Revenues

Interest income represents the largest operating revenue component. CSLF earns interest income, interest subsidies and special allowance on student loans. Interest income for 2015 totaled $11,600 compared to $12,800 for the twelve months ending June 30, 2014. These revenue sources are variable in nature and are a direct function of market conditions. Interest rates for student borrowers in the CSLF portfolio have been fixed though the net interest to loan holders remains variable and, therefore, subject to market conditions. Lender yields are limited and vary as Congress and market conditions dictate. Loan interest revenue calculated to be in excess of congressionally established levels (excess yield) is paid to the U.S. Department of Education. During the twelve months ended June 30, 2015, CSLF paid $7,300 to the US Department of Education relating to excess yield compared to $8,300 paid during the previous twelve months.

CLSF previously administered the Federal Family Education Loan Program in Connecticut as the State designated guarantee agency. In January, 2010 CSLF transferred its guarantor operations to a third party guarantor. Through December 2014, CSLF had the right to 50% of collection retention revenues in excess of operating costs on claims paid under the guarantees transferred by CSLF. Revenue from this special item for the year ended June 30, 2015 totaled $1,300 compared to $4,800 for the previous year. Funds received from this special item by CSLF are restricted and permitted uses would include but not be limited to default aversion activities, financial aid awareness and related outreach activities or other student financial aid-related activities for the benefit of students and boosting the college completion rates of low-income students. As of June 30, 2015, all restricted funds had been disbursed in accordance with these guidelines, primarily funding the Legislative Mandates.

Expenses

CSLF's largest expense is debt payment on the Auction Rate Certificates (ARCs) it issued to raise money to make or acquire student loans. The interest rate on the ARCs is variable and auctioned every twenty-eight days. Due to the continued failure of the auctions, all investors are being paid at T-Bill plus 1.20%, the maximum rate defined in the Indenture based upon the current ratings of the bonds. The interest expense paid to Bondholders decreased in 2015 by approximately $800 for a total of $4,200 versus $4,800 for the previous twelve months. The expense decrease is attributed to the redemption of $50,800 in bonds, primarily at par, during 2015. CSLF has not disbursed new student loans since February 2010. As a result, with the maturing loan portfolio with more student loan borrowers in active repayment status, bad debt expense decreased to $150, compared to $700 in the previous period.

The Legislative Mandates were created as a result of Connecticut Public Act 14-47 which requires the transfer by June 30, 2015 of a total of $25,000 of CSLF's financial assets to fund certain legislative initiatives. As of June 30, 2015, CSLF had completed funding the Legislative Mandates.

Change in Net Position

CSLF's 2015 operations resulted in a decrease in net position of $24,700. CSLF generated approximately $11,800 in operating revenues and $8,800 in operating expenses. Other decreases in net position resulted from the Legislative Mandates described earlier in the amount of $25,000, a $2,000 distribution to fund the equity position of the CHESLA trust and a $2,000 expense accrual to fund the CHESLA Scholarship Fund. Lastly, discontinued operations contributed $1,300. CSLF's operations for the twelve months ending June 30, 2014, resulted in an increase in net position of $7,900. During that time period, CSLF generated $13,500 in operating revenues and $10,500 in operating expenses, with other changes in net position of $4,900 primarily from special item.

Currently known facts, decisions or conditions

During July and August, 2015, CSLF redeemed $7,000 of bonds at par, resulting in a bond balance of $305,100.

On July 17, 2015 CSLF distributed $2,000 to CHESLA to fund the previously accrued liability for the CHESLA Scholarship Fund.

The audited statements that follow this management's discussion and analysis include supplemental combining statements for CHEFA, CHESLA and CSLF.

CONTACTING THE AUTHORITY

This financial report is designed to provide a general overview of the Authority's finances, including CHESLA and CSLF. If you have questions about this report or need additional financial information, contact the Connecticut Health and Educational Facilities Authority at 10 Columbus Boulevard, Hartford, Connecticut 06106-1978.

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF CONNECTICUT)
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2015
(Amounts Expressed in Thousands)

Construction Fund Balances As of June 30, 2015, 2014 & 2013 **Exhibit A**

Issue Name	Date of Bond Issue	Scheduled Completion Date	Construction Fund Balance		
			2015 *	2014 *	2013 **
Bridgeport Hospital D	05/31/12	05/12	$ -	$ -	$ 20
Day Kimball Hospital B	06/06/13	06/15	200	1,290	11,155
Hartford Health Care A	09/29/11	09/13	-	-	5,179
Hartford Health Care B	09/29/11	09/13	7,001	8,314	17,704
Hartford HealthCare Corp F	05/12/15	05/17	75,208	-	-
Hartford HealthCare Corp G	05/12/15	05/17	42,564	-	-
Hartford HealthCare Corporation A	03/26/14	03/16	3,193	16,991	-
Lawrence & Memorial Hospital H	11/05/13	11/15	-	218	-
Middlesex Hospital O	05/19/15	05/17	43	-	-
Norwalk Hospital J	12/07/12	12/14	8,742	33,276	66,663
Saint Francis Hospital H	01/24/14	01/16	-	1,624	-
Stamford Hospital J	06/20/12	06/14	-	101,088	203,296
Western Connecticut Health Network O	05/08/15	05/17	39	-	-
Western CT Healthcare L	07/13/11	07/13	-	2,392	43,110
Western CT Healthcare M	07/13/11	07/13	-	1,046	19,508
Yale-New Haven Health Services Corporation A	06/23/14	06/16	-	441	-
Yale-New Haven Health Services Corporation B	06/23/14	06/16	-	724	-
Yale-New Haven Health Services Corporation C	06/23/14	06/16	-	341	-
Yale-New Haven Health Services Corporation D	06/23/14	06/16	-	355	-
Yale-New Haven Health Services Corporation E	06/23/14	06/16	3,585	90,362	-
Masonicare E	09/05/12	09/14	-	-	28
Pierce Memorial Baptist Home B	03/13/13	03/15	-	30	30
Connecticut State University System J	06/22/11	06/13	-	1,212	10,930
Connecticut State University System M	01/10/13	01/15	31,712	36,588	36,585
Connecticut State University System N	10/23/13	10/15	26,922	76,476	-
Sacred Heart University G	06/29/11	06/13	-	-	5,244
Sacred Heart University H	02/14/12	02/12	-	-	163
University of Bridgeport D	11/02/12	11/14	-	2,381	11,360
University of Saint Joseph C	11/01/13	11/15	7	52	-
University of Saint Joseph D	11/01/13	11/15	959	5,646	-
Yale University 2014A	07/23/14	07/16	107,523	-	-
Avon Old Farms School C	11/01/13	11/15	-	38	-
Choate Rosemary E	03/27/15	03/17	13	-	-
Ethel Walker School C	04/03/13	04/15	-	3	5,834
Forman School B	03/28/13	03/15	-	231	2,895
Gunnery School B	09/28/12	09/14	-	-	43
Kent School F	03/28/13	03/15	-	786	6,847
Norwich Free Academy B	03/01/13	03/15	-	-	127
Pomfret School B-1	06/14/12	06/14	-	-	2
Pomfret School B-2	06/14/12	06/14	-	-	4
Rectory School B	01/05/12	01/14	-	634	1,189
South Kent School A	08/29/13	08/15	-	3,595	-
Stanwich School B	12/06/13	12/15	-	5	-
Suffield Academy C	11/20/13	11/15	-	2	-
Taft School I	11/07/12	11/14	-	2,442	4,329
Westminster School H	09/24/14	09/16	19	-	-
Westminster School I	04/30/15	04/17	31	-	-
Winston Prepartory School A	04/13/12	04/14	-	-	2,908
Xavier High School A	02/14/14	02/16	-	4,363	-
Childcare H	04/01/15	03/17	27	-	-
Bushnell Memorial B (DSRF)	03/16/12	03/12	664	664	664
Greater Hartford YMCA D	12/23/14	03/12	2,523	-	-
UCONN Foundation C	04/24/13	04/15	-	-	17,612
Village for Families & Children C	10/02/13	10/15	-	21	-
Cherry Brook Health Care Center B	12/11/14	12/16	1,274	-	-
Duncaster A	09/24/14	09/16	6,208	-	-
Saint Joseph's Living Center B	09/20/13	09/15	438	953	-
Easy Loan	Various	Various	1,329	13,145	34,349
CONSTRUCTION FUND TOTAL			$ 320,224	$ 407,729	$ 507,778

* Includes investment (only) for Construction Fund, Cost of Issuance, Capitalized Interest, Equity Accounts and Easy Loan

** Includes investment and for cash Construction Fund, Cost of Issuance, Capitalized Interest, Equity Accounts and Easy Loan

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2015
(Amounts Expressed in Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
	(Business-type Activities)		
ASSETS			
Current assets:			
Unrestricted assets:			
Cash	$ 441	$ 48	$ 965
Investments	-	1,278	-
Accounts receivable, less allowance of $86	155	-	-
Board-designated investments	5,413	1,000	-
Due from CSLF	-	2,000	-
Prepaid expenses and other assets	74	14	34
Total unrestricted assets	6,083	4,340	999
Restricted assets:			
Fund investments	323,724	-	-
Trust Investments	-	28,512	11,758
Current portion of loans receivable, net of allowances for loan losses of $2,787	-	16,754	-
Current portion of loans receivable, net of allowances for loan losses of $1,335	-	-	21,787
Loan interest receivable	-	465	5,390
Interest receivable on investments	-	134	-
Total restricted assets	323,724	45,865	38,935
Total current assets	329,807	50,205	39,934
Non-current assets:			
Unrestricted assets:			
Capital assets, net	169	-	-
Restricted assets:			
Restricted investments	10,407	23,557	-
Loans receivable	-	102,988	307,638
Prepaid bond insurance premiums	-	155	-
Total non-current assets	10,576	126,700	307,638
Total assets	$ 340,383	$ 176,905	$ 347,572

See accompanying notes to the financial statements.

(Amounts Expressed in Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
	(Business-type Activities)		
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable and accrued expenses	$ 2,297	$ 2,073	$ 94
U.S. Department of Education payable	-	-	1,676
Trust Estate payable	-	-	541
Current portion of bonds payable	-	11,105	-
Accrued interest payable	-	814	-
Due to CHESLA	-	-	2,000
Amounts held for institutions	320,224	-	-
Total current liabilities	322,521	13,992	4,311
Non-current liabilities:			
Bonds payable, net of current portion	-	144,573	311,226
Amount held on behalf of the State of Connecticut	2,172	-	-
Total non-current liabilities	2,172	144,573	311,226
Total liabilities	324,693	158,565	315,537
Net position:			
Net investment in capital assets	169	-	-
Restricted	11,735	15,923	7,891
Unrestricted	3,786	2,417	24,144
Total net position	15,690	18,340	32,035
Total liabilities and net position	$ 340,383	$ 176,905	$ 347,572

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
(Amounts Expressed in Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
	(Business-type Activities)		
Operating revenues:			
Interest income on loans receivable	$ -	$ 8,368	$ 11,586
Administrative fees	7,513	-	-
Bond issuance fees	90	-	-
Not-for-profit servicing income	-	-	183
Other revenues	215	-	9
Total operating revenues	7,818	8,368	11,778
Operating expenses:			
Interest expense	-	6,690	4,256
Salaries and related expenses	2,896	192	-
General and administrative expenses	1,014	484	334
Loan service fees	-	563	1,454
Consolidation fee expense	-	-	2,013
Contracted services	-	-	557
Bond issuance costs	-	104	-
Provision for loan losses	-	760	150
Total operating expenses	3,910	8,793	8,764
Total operating income	3,908	(425)	3,014
Non-operating revenues (expenses):			
Investment income	13	1,148	67
Legislative mandate	-	-	(25,000)
Revenues from CSLF to CHESLA	-	4,000	(4,000)
Scholarship expense	-	(2,000)	-
Grant expense	(2,993)	-	-
Total non-operating expense	(2,980)	3,148	(28,933)
Change in net position before special item	928	2,723	(25,919)
Special item:			
Change in net position from special item	-	-	1,259
Increase (decrease) in net position	928	2,723	(24,660)
Net position, beginning of year (restated)	14,762	15,617	56,695
Net position, end of year	$ 15,690	$ 18,340	$ 32,035

See accompanying notes to the financial statements.

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(Amounts Expressed in Thousands)

	Primary Government	Component Units	
	CHEFA (Business-type Activities)	CHESLA	CSLF
Cash flows from operating activities:			
Cash received from loan payments	$ -	$ 19,587	$ 53,899
Cash received for administrative fees	7,975	-	-
Interest received on loans	-	8,097	12,575
Cash received from other operating income	155	-	375
Loans disbursed	-	(15,802)	-
Cash paid to employees	(2,903)	(192)	-
Cash paid for Trust Estate	-	-	(5,256)
Cash paid for contracted services	-	-	(571)
Cash paid for other expenses	(715)	(1,207)	(182)
Net cash provided by operating activities	4,512	10,483	60,840
Cash flows from noncapital financing activities:			
Proceeds from bond sales	747,751	-	-
Proceeds from institutions	807	-	-
Bond issuance costs	-	(61)	-
Payments of bond principal	-	(19,115)	(50,800)
Payments of bond interest	-	(6,758)	(4,098)
Releases from amounts held for institutions	(646,220)	-	-
Receipts from special item	-	-	5,066
Payments for legislative mandates	-	-	(25,000)
Cash paid to grantees	(3,750)	-	-
Transfers to CHESLA	-	2,000	(2,000)
Transfers to restricted funds	(102,338)	-	-
Net cash used in noncapital financing activities	(3,750)	(23,934)	(76,832)
Cash flows from capital and related financing activities:			
Purchases of capital assets	(69)	-	-
Net cash used in capital and related financing activities	(69)	-	-
Cash flows from investing activities:			
Cash from restricted investment earnings	-	1,143	32
Proceeds from investments	(624)	12,329	15,918
Cash received from investment earnings	11	4	9
Net cash (used in) provided by investing activities	(613)	13,476	15,959
Net change in cash	80	25	(33)
Cash, beginning of year	361	23	998
Cash, end of year	$ 441	$ 48	$ 965

See accompanying notes to the financial statements.

(Amounts Expressed in Thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	CHEFA	CHESLA	CSLF
Cash flows from operating activities:			
Operating income	$ 3,908	$ (425)	$ 3,014
Adjustments to reconcile operating income			
to net cash provided by operating activities:			
Grant payments	758	-	-
Depreciation	71	-	-
Bond interest	-	6,756	4,098
Income from investments	-	-	-
Loan reserve fees	-	(707)	-
Bond issuance costs	-	104	-
Provision for loan losses	-	760	150
Amortization of bond (premium) discount	-	(59)	226
Changes in assets and liabilities:			
Loans receivable	-	4,216	54,707
Accounts receivable	462	-	-
Interest receivable on loans receivable	-	11	525
Prepaid expenses and other assets	6	3	25
Due from CSLF	-	(2,000)	-
Accounts payable and accrued expenses	(693)	1,832	(8)
Accrued interest and other payables	-	(8)	(1,897)
Net cash provided by operating activities	$ 4,512	$ 10,483	$ 60,840

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Connecticut Health and Educational Facilities Authority (CHEFA) - CHEFA is a quasi-public agency and component unit of the State of Connecticut (the State). CHEFA was established pursuant to Chapter 187 of the General Statutes of Connecticut, Revision of 1958, as amended by Public Acts 93-102, 93-262 and 97-259 (the Act). CHEFA is constituted as a public instrumentality and political subdivision of the State whose board of directors is appointed by the Governor of the State of Connecticut. The purpose of CHEFA, as stated in the Act, is to assist certain health care institutions, institutions of higher education and qualified not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to the programs for these institutions. Debt issued by CHEFA is payable from the revenues of the institutions and is not an obligation of CHEFA or the State of Connecticut. Neither the State or CHEFA is obligated for such debt (except for loans or bonds issued under the Child Care Facilities Loan Program, as discussed in Note 6, and the Special Capital Reserve Fund Program. Under the Special Capital Reserve Fund Program, the State is obligated for replenishment of debt service reserve funds).

The Connecticut Higher Education Supplemental Loan Authority (CHESLA) - CHESLA is a quasi-public agency established in 1982 pursuant to Section 4 of the Connecticut Higher Education Supplemental Loan Authority Act, Public Act 82-313 of the Connecticut General Assembly. CHESLA was established to assist students, their parents and institutions of higher education in financing the cost of higher education through its bond funds. CHESLA maintains separate financial statement accounts for its agency operating fund and two separate bond funds. The administrative functions of CHESLA are accounted for in the agency operating fund. The 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution, as amended, supplemented and restated, pursuant to which all outstanding bonds were issued prior to the 2003 and after 2007. The 2003 Bond Fund is governed by the 2003 Master Revenue Bond Resolution pursuant to which all outstanding bonds were issued between 2003 and 2007.

Public Act 12-149, effective July 1, 2012, statutorily consolidated CHESLA with CHEFA by making CHESLA a subsidiary of CHEFA. As a subsidiary of CHEFA, CHESLA retains its legal identity as a separate quasi-public authority, continues to be subject to suit and liability solely from its own assets, revenues and resources, and has no recourse to the general funds, revenues, resources or other assets of CHEFA or the State of Connecticut.

Connecticut Student Loan Foundation (CSLF) - CSLF was established as a Connecticut State-chartered nonprofit corporation established pursuant to State of Connecticut Statue Chapter 187a and governed by Title IV, Part B of the Higher Education Act of 1965, as amended, for the purpose of improving educational opportunity. Generally, CSLF is empowered to achieve this purpose by originating and acquiring student loans and providing appropriate services incident to the administration of programs, which are established to improve educational opportunities. CSLF no longer originates or acquires student loans.

CSLF also entered into an agreement to participate in the not-for-profit servicer program established under the Health Care and Education Reconciliation Act of 2010 (HCERA), Public Law 111-152 set forth in Solicitation Number NFP-RFP-2010. The U.S. Department of Education approved CSLF's participation in the program.

In July 2014, pursuant to Public Act No. 14-217, CSLF was statutorily consolidated with CHEFA as a subsidiary thereof and became a quasi-public agency of the State of Connecticut. CSLF's fiscal year end changed effective October 1, 2014 to a June 30 fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - The accompanying basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP applicable to state and local governmental entities is promulgated by the Governmental Accounting Standards Board (GASB).

As required by GAAP, the financial statements of the reporting entity, CHEFA, include those of CHEFA (the primary government) and its component units (CHESLA and CSLF) in accordance with the public acts, previously mentioned. In accordance with GASB Statement No. 14, as amended by GASB Statements No. 39 and 61, the financial statement of the component units have been included in the financial reporting entity through a discrete presentation.

Discretely Presented Component Units - CHESLA and CSLF meet the criteria for discrete presentation and are presented separately from CHEFA in separate columns within these financial statements to clearly distinguish their balances and transactions from the primary government, CHEFA. CHEFA and its component units, CHESLA and CSLF are referred to together as “the Authority”, throughout these financial statements when a common disclosure applies.

Proprietary Fund Types - The Funds of the Authority are proprietary fund types. Proprietary funds are used to account for governmental activities that are similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration.

GAAP used for proprietary funds are similar to those applicable to businesses in the private sector. They are reported using the economic resources of measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of providing services to customers. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restatement of Net Position - The July 1, 2014 net position of CHEFA has been restated to correct the reporting of the net position of CHEFA to reflect the separate net position of CHEFA only, and not CHEFA, and its component unit, CHESLA, as previously reported. The June 30, 2014 audited financial statements incorrectly reflected CHEFA’s net position as of June 30, 2014 of $30,379. This balance reflected CHEFA’s net position of $14,762 and its component unit, CHESLA, of $15,617. The 2015 financial statements are presented as a discrete presentation, which correctly presents CHEFA and its component units in separate columns and are not combined. As such, the July 1, 2014 net position of CHEFA has been corrected and restated from $30,379 to $14,762. In addition, the June 30, 2014 financial statements incorrectly reflected a change in net position for CHEFA of $933, which included CHESLA’s standalone change in net position of $812. The effect of the restatement on the 2014 financial statements would have been to correct the net positions with a decrease in the change in net position by $812 for CHEFA, and increase the change in net position for CHESLA by the same amount.

(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table shows the restated July 1, 2014 financial statement balances:

CHEFA	Net Position
Balance as of July 1, 2014	$ 30,379
Prior period adjustment	(15,617)
Balance as of July 1, 2014 (as restated)	$ 14,762

CHESLA (Component Unit)	Net Position
Balance as of July 1, 2014	$ -
Prior period adjustment	15,617
Balance as of July 1, 2014 (as restated)	$ 15,617

Cash and cash equivalents - Cash and cash equivalents include all highly liquid investments purchased with an original maturity of three months or less. The Authority's investments in money market funds and the State Treasurer's Short Term Investment Fund are excluded from cash equivalents because they are considered an investment. The Authority had no cash equivalents at June 30, 2015 and 2014.

Investments - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Authority presents all investments at fair value, except for non-participating investment contracts, which are recorded at cost. The fair value of investments traded on public markets is determined using quoted market prices. CHEFA, CHESLA and CSLF each all invest in the State Treasurer's Short-Term Investment Fund, which is an investment pool managed by the State Treasurer's Office. The fair value of the position in the pool is the same as the value of the pool shares. The Authority also classifies its investments in money market funds as investments.

Restricted assets - Restricted assets are maintained under trust agreements in separate sub-funds for each debt issue in accordance with the requirements of the underlying bond issue documents.

CHEFA's restricted assets include assets held in construction and project funds for which CHEFA has fiduciary responsibility. Construction and project funds reflect the receipt of bond proceeds, costs of issuance and disbursement of monies for the payment of construction or renovation projects and equipment for the institutions.

CHESLA's restricted assets include assets held by the individual bond funds as governed by the bond resolutions as previously described. Under the provisions of the bond resolutions, certain assets are restricted for the repayment of bond principal and interest and for the issuance of student loans. Under the bond funds, CHESLA issues revenue bonds, the proceeds of which are used to provide loans for student borrowers to assist in the financing of their higher education. Revenue in the bond funds is derived from interest earned on investments and loans receivable. The 2003 Bond Fund is governed by the 2003 Master Revenue Bond Resolution, pursuant to which the 2003 and 2005 Series A and B and 2006 and 2007 Series A bonds were issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The 1990 Bond Fund is governed by the 1990 Revenue Bond Resolution pursuant to which all outstanding bonds were issued prior to the 2003 Series A and B bonds as well as the 2009, 2010, 2012, 2013 and 2014 Series A bonds. In accordance with the bond resolutions, CHESLA internally accounts for each bond issue separately, which includes individual funds as defined by each bond resolution, including but not limited to combinations of some of the following: the Loan Fund, Revenue Fund, Debt Service Fund and Special Capital Reserve Fund.

CSLF's restricted assets include the Trust Estate net position and other net position, as follows:

Trust Estate - Includes assets and liabilities associated with the bond offerings as detailed in the Bond Indenture:

- Trust cash and investment accounts - The indenture created special trust accounts to be held by the Trustee to be used for record keeping and reporting purposes as defined by the indenture.
- The bonds included in the Trust Estate are special and limited obligations of CSLF, secured by and payable from the Trust Estate held under the indenture, without recourse to any other assets of CSLF. The bonds are secured by eligible student loans as identified in the indenture.
- Release of amounts from the Trust Estate - The indenture provides that CSLF may withdraw amounts from the Trust Estate under certain limited circumstances as defined in the indenture.
- Redemption and acceleration provisions - The indenture sets forth provisions for the redemption and acceleration of the bonds prior to maturity under certain circumstances.

Other significant accounting policies related to restricted assets are as follows:

- CHEFA's interest earned on restricted assets held for institutions is not reflected in the statements of revenues, expenses, and changes in net position, as such income accrues to the benefit of the institutions.
- Restricted fund investments in money market funds are classified as investments.
- Restricted fund investments in guaranteed investment contracts are valued at cost and all other fund investments are valued at market. Generally, market value is not significantly different from cost.
- CHEFA's restricted investments classified as non-current include funds held by CHEFA under its agency relationship with the State Department of Education (SDE), described in Note 6, and investments held in connection with the Connecticut Credit Union Student Loan Guarantee program.
- CHESLA's restricted investments classified as current include the fund investments held by CHESLA pursuant to the bond resolutions in the individual Loan Fund, Revenue Fund and Debt Service Funds.
- CHESLA's restricted investments classified as non-current include funds held by CHESLA pursuant to the bond resolutions in individual Special Capital Reserve Funds (Note 9).

<u>Non-operating activities</u> - Activities not related to CHEFA's primary purpose are considered non-operating. Non-operating activities consist primarily of income on investments and expenses related to CHEFA's grant program. All of CHESLA's revenues and expenses are considered operating, except for income on investments and expenses associated with CHESLA's scholarship program. CSLF's non-operating expenses relate to items required by legislative mandate, as discussed below.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In July 2014, Public Act No. 14-47 required CSLF to transfer $4,400,000 to the Connecticut Higher Education Trust Baby Scholars program, $19,000,000 to the CT Board of Regents for Higher Education and $1,600,000 to the Office of Higher Education for Governor's Scholarships.

Amounts held for institutions - Amounts held for institutions represent amounts payable to institutions, bondholders and others from CHEFA's restricted assets.

Amounts held on behalf of the State of Connecticut - Amounts held on behalf of the State of Connecticut represent funds transferred to CHEFA under its agency relationship with SDE related to the childcare program pursuant to Public Act 97-259 (See Note 6 for further discussion).

Capital assets - Capital assets, which include property, plant and equipment, are stated at cost. CHEFA defines capital assets as assets with an initial cost exceeding five-hundred dollars. Depreciation and amortization are computed on a straight-line basis over estimated service lives generally ranging from three to five years. Maintenance and repairs that do not add to the value of the asset or materially extend their lives are charged to expense as incurred, while significant renewals and betterments are capitalized.

Net position - The accompanying statements of net position present the Authority's fiduciary and non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Invested in capital assets - For CHEFA, this category consists of capital assets, net of accumulated depreciation.

- Restricted net position - For CHEFA, This category consists of the net position whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, or through restrictions imposed by law through constitutional provisions or enabling legislation. For CHESLA, these amounts include the net position of the bond funds governed by the bond resolutions as previously discussed. For CSLF, these amounts include a portion of the net position of the Trust Estate.

- Unrestricted net position - This category consists of the net position, which do not meet the definition of the two preceding categories. With respect to CSLF, this category presents the net position that is not restricted, which includes the Trust Estate and other general operating activities. Unrestricted net position within the Trust Estate reflect amounts that are available to be released from the Trust Estate after operating expenses, based on calculations per the Bond Indenture.

Administrative fees - CHEFA is self-supporting and charges an administrative fee to institutions with outstanding bond issues to cover its operating expenses. All issues, other than those under the Special Capital Reserve Fund Program for long term care facilities, are charged an annual fee of nine basis points, billed semi-annually, in arrears, on the outstanding par amount of the bonds. Long-term care bonds issued under the Special Capital Reserve Fund Program are charged an annual fee of fourteen basis points, billed semi-annually, in arrears, on the outstanding par amount of the bonds.

CHESLA also is self-supporting and charges an administrative fee on outstanding loan balances to cover its operating expenses. The fees are assessed to the bond resolution funds and vary in accordance with the related bonds series and range from 30 to 100 basis points, and have been eliminated at the component unit level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans receivable and allowance for loan losses - For CHESLA, interest on loans receivable is accrued and credited to operations based upon the principal amount outstanding. Loans are placed on nonaccrual status when management believes principal or interest on such loans may not be collected in the normal course of business. The allowance for loan losses has been provided through charges against operations based on management's evaluation of the loan portfolio and maintained at a level believed adequate to absorb potential losses in the loan portfolio. Loans are typically written off against the allowance for loan losses (net of loan recoveries) in the period in which the loans become nonperforming and no payments have been made for 12 consecutive months. However, a loan may be written off at any time management believes the repayment of such loan is doubtful. Collections of loans previously written off are pursued until management believes that further recoveries are doubtful.

CSLF's allowance for Federal Education Loan Program loan losses has been provided through charges against operations based on management's evaluation of the loan portfolio. Loans are typically written off against the allowance for loan losses (net of loan recoveries) at the point in which the guarantee has been paid and CSLF has a risk sharing component or it is determined that all recovery options have been exhausted and the loans have lost their Federal guarantee and are no longer eligible for reinstatement. Federal guarantees are reinstated if the lender or servicer successfully performs certain Federally prescribed "cure" procedures. In general, the lender has three years from the initial claim rejection date or the latest timely filing date if a claim has not been filed to cure a loan.

For Solutions Alternative ("Alternative") loans, periodic monitoring of loan performance has been established to ensure the adequacy of the reserve allowance.

Prepaid bond insurance premium - Bond insurance premiums are amortized on a straight-line basis over the term of the related bonds. All other bond issuance costs are expensed as incurred pursuant to the provisions of GASB No. 65.

Arbitrage rebate and excess loan yield liability - Under the Internal Revenue Code of 1986 (the Code), CHESLA is required to rebate to the federal government certain excess earnings on investments from funds obtained with its tax-exempt bonds, as defined by the Code or reduce its excess loan yield on student loans financed with tax-exempt bonds. CHESLA calculates this liability annually and no provision has been made for any liability in the financial statements.

Loan reserve fee revenue - CHESLA charges a 3% reserve fee on loans governed by the 2003 Master Revenue Bond Resolution and a 2% to 4% reserve fee on loans governed by the 1990 Revenue Bond Resolution, depending on the originating series. This fee is recognized as an origination fee to the loans and in accordance with GASB No. 65 is included in interest income on loans receivable on the statement of revenues, expenses and changes in net position.

Interest income on loans - For CHESLA and CSLF, interest income on loans is recognized based on the rates applied to principal amounts outstanding. For CHESLA, the accrual of interest income is generally discontinued when a loan is classified as nonperforming (see Note 3). Loans are currently considered nonperforming by management when the borrower has not made payments for the most recent three months.

Long-term obligations - For CHESLA and CSLF, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies - Federal regulations require that CSLF comply with due diligence collection procedures for delinquent loans. Failure to comply with these regulations could result in questioned or disallowed revenues and costs. Management believes that any events of noncompliance have not been significant in nature and any noncompliance issues were resolved if questioned by the U.S. Department of Education. Consequently, no provision has been made for any liability in the financial statements relating to noncompliance issues.

Commitments - CSLF has contracted with an unrelated organization to provide management and administrative services. The contract provides for a monthly administration fee as detailed in the contract plus certain additional fees based upon the activities of the organization. The contract continues until cancelled by either party. Total fees paid under the contract for the year ended June 30, 2015 were $444.

Use of estimates **-** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses for both CHESLA and CSLF. In determining the allowance for loan losses, management uses historical loss experience to make predictions about future losses. As the loan portfolio matures, adjustments are made as an estimate of expected default rates used to estimate loan losses.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash deposits - custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. CHEFA does not have a deposit policy for custodial credit risk.

As of June 30, 2015, $191 of CHESLA's bank balances were exposed to custodial credit risk. As of June 30, 2015, $715 of CSLF's bank balance was exposed to custodial credit risk.

All of the Authority's deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

As of June 30, 2015, all of the Authority's cash deposits were unrestricted.

Investments - As of June 30, 2015, investments consisted of the following:

CHEFA		**Investment Maturities**		
Investment type	**Fair Value**	**Less than 1 year**	**1 to 10 years**	**More than 10 years**
Money market funds	$ 329,632 *	$ 329,632	$ -	$ -
Short-term Investment Fund (STIF)	9,912	9,912	-	-
Total	$ 339,544	$ 339,544	$ -	$ -

* Exceeds 5% of total investments

(Amounts Expressed in Thousands)

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

CHESLA			Investment Maturities		
Investment type	Fair Value		Less than 1 year	1 to 10 years	More than 10 years
Money market funds	$ 374		$ 374	$ -	$ -
Short-term Investment Fund (STIF)	32,401	*	32,401	-	-
Guaranteed Investment Contracts (GIC):					
IXIS Funding Corp	1,357		-	1,357	-
GE Capital Corp	2,200		-	2,200	-
Rabobank International	1,336		-	1,336	-
MBIA, Inc.	3,000		-	3,000	-
FSA Capital Management Services	5,300	*	-	5,300	-
FGIC Investment Agreement	584		-	584	-
Salomon Smith (Citigroup)	600		-	600	-
U.S. treasuries	7,195	*	-	-	7,195
Total	$ 54,347		$ 32,775	$ 14,377	$ 7,195

CSLF			Investment Maturities		
Investment type	Fair Value		Less than 1 year	1 to 10 years	More than 10 years
Money market funds	$ 9,417	*	$ 9,417	$ -	$ -
Short-term Investment Fund (STIF)	2,341	*	2,341	-	-
Total	$ 11,758		$ 11,758	$ -	$ -

* Exceeds 5% of total investments

Because the STIF and money market funds have weighted average maturities of 60 days and 90 days, respectively, they are presented as investments with maturities of less than one year.

Interest rate risk - The Authority invests in unrestricted funds in the Connecticut State Treasurer's Short Term Investment Fund (STIF), which has historically maintained its net asset values such that the principal of the investments is not eroded by interest rate fluctuations.

CHEFA's investment policy provides that the investment portfolio for its unrestricted investments be designed with the objective of regularly exceeding the average return of ninety day U.S. Treasury Bills. The investment policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures and with applicable Connecticut State law. Whenever possible, restricted investments are to be held to maturity and invested in an appropriate manner so as to ensure the availability for specified payment dates, planned construction draws and other intended purposes as set forth in the relevant trust indentures and agreements, and to ensure a rate of return at least equal to the restricted bond yield, all with minimal risk to capital.

CHESLA and CSLF's specific investment policy complies with the underlying bond resolution requirements. In addition, to minimize interest rate risk, the structuring of the investment portfolios is done so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell investments on the open market prior to maturity. Operating funds are primarily invested in shorter-term securities, money market mutual funds or similar investment pools.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk - CHEFA has an investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes for both unrestricted and restricted investments.

Investments that may be purchased with the written approval of an officer, provided the instrument has a maturity date of 365 days or less from the date of purchase, are as follows: obligations issued or guaranteed by the U.S. Government, including the Federal Deposit Insurance Corporation (FDIC); qualified money market funds or institutional money market funds investing in short-term securities as permitted by enabling legislation; the STIF provided it maintains a “AAA” rating by Standard and Poor’s; and qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government. With approval by the Audit-Finance Committee or Board of Directors, the following unrestricted investments are also permissible: any otherwise permitted investment with a maturity greater than 365 days from purchase; obligations issued or guaranteed by the State of Connecticut, including the State’s medium term or long term investment fund; other debt obligations which are statutorily permissible; and qualified guaranteed investment contracts complying with Connecticut General State Statutes 10a-180(s), Authority guidelines and applicable trust indentures.

Pursuant to the General Statutes of the State of Connecticut, CHEFA may only invest funds in the following: obligations issued or guaranteed by the United States of America or the State of Connecticut and in other obligations, which are legal investments for savings banks in the State; investment agreements with financial institutions whose short-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the State Commissioner of Banking; investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States or in securities or obligations which are legal investments for savings banks in this State, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the marketplace, provided that CHEFA shall not enter into any such agreement with any securities dealer or bank acting as a securities dealer unless such dealer or bank is included in the list of primary dealers, effective at the time of such agreement, as prepared by the Federal Reserve Bank of New York.

CHESLA applies Connecticut statutes with respect to credit risk policies.

CSLF's policy states credit risk will be minimized by limiting investments to the safest type of securities and pre-qualifying the financial institutions with which CSLF will do business. The investment portfolio must be diversified so that potential losses on individual securities will be minimized.

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk as the applicable deposit and investment policies comply with the underlying relevant trust indentures, agreements, and bond resolutions. The Authority was not subject to custodial risk because it did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Authority’s name.

Concentrations of credit risk - For unrestricted investments, CHEFA places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the Connecticut State Treasurer’s Short-Term Investment Fund shall constitute greater than 5% of unrestricted investments, except for qualified money market or mutual bond funds, none of which shall constitute greater than 50% of general fund investments. CHEFA’s investment portfolio, as of June 30, 2015, was in compliance with this policy. CHEFA places no limit on the amount of investment in any one issuer for restricted investments.

(Amounts Expressed in Thousands)

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

CHESLA and CSLF do not have a formalized investment policy that restricts investment in any one issuer that is in excess of 5% of total investments. The deposit and investment policies comply with the underlying bond resolution requirements as previously described.

NOTE 3 - LOANS RECEIVABLE

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. Loans receivable by outstanding bond series, as of June 30, 2015, are as follows:

Bond Series	Number of Loans at June 30, 2015	Balance at June 30, 2015	Interest Rate %
2003A&B*	982	$ 4,213	4.99 and 9.20
2005A&B**	1,079	8,379	5.5, 8.25 and 8.40
2006A***	1,077	9,394	0 and 6.15
2007A	1,583	16,429	6.99
2009A	1,314	14,885	6.80
2010A****	2,093	29,822	5.95, 7.25 and 7.5
2012A*****	956	2,901	2.00 to 7.50
2013A	1,433	22,606	5.99
2014A	736	11,080	6.75
	11,253	$ 119,709	
Add: performing ($1,500) and nonperforming ($1,320) loans in collections		2,820	
Less: allowance for loan losses		(2,787)	
Total		$ 119,742	

* Includes loans issued under the 1991 Series A bonds that were refunded by the 2003 Series B bonds.

** Includes loans issued under 1993 and 1994 Series A bonds that were refunded by the 2005 Series B bonds.

*** Includes loans issued under the 1996 Series A bonds that were refunded by the 2006 Series A bonds.

**** Includes loans issued under 1999 and 2000 series B bonds that were refunded by the 2010 Series A bonds.

***** Includes loans issued under 1999, 2000, and 2001 Series A bonds and 1998 Series A and B bonds

CHESLA currently defines nonperforming loans as defaulted loans in collections, whereby no payment has been made for 120 days, but are not written off. Write-off occurs if no payment has been received by the collection agency in 12 months. CHESLA has a policy to write off uncollectible loans against the allowance for loan losses when certain criteria are met. In connection with this policy, CHESLA wrote off loans receivable of $514 for the year ended June 30, 2015, which had previously been provided for through the allowance for loan losses. CHESLA recovered $184 in fiscal year 2015, in loans receivable and other credits that were written off in previous years.

(Amounts Expressed in Thousands)

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

CSLF, up until 2010, also made loans to students from the proceeds of bond issues.

Federal Family Education Loan Program ("FFELP") loans are student loans insured by the U.S. Department of Education. FFELP loans are repaid by borrowers on a monthly basis for a term of up to thirty years. The interest rate on these loans varies and ranges from approximately 1.0% to 12%.

Alternative loans are student loans that are not insured by the U.S. Department of Education. Alternative loans are repaid monthly over a period of years ranging from 10 to 30 years. For loan applications received prior to April 1, 2008, the interest rate is variable, calculated to equal prime plus 2% with a 10% cap. Borrowers were charged a fixed non-refundable origination fee of $150 and a 2% reserve fee. For loan applications received on or after April 1, 2008, the interest rate and reserve fee varied depending on the borrowers' credit score. Interest rates range between prime and prime plus 4% with no cap and the reserve fee ranges from 2% to 6%. Interest rates on all Alternative loans are reset quarterly and origination fees, where applicable, are withheld from loan proceeds.

Student loans are classified as being "In-school" status during the period from the date the loan is made until a student graduates or leaves school. Loans are classified as being "In-grace" status from the time the student leaves school until repayment begins six months later. Subsequent to this period, student loans are classified as being in "Repayment" status. "Deferral" and "Forbearance" status are periods during the life of the loan where repayment is suspended for authorized purposes.

CSLF Loan portfolio assets at June 30, 2015 are summarized as follows:

	FFELP	Alternative	Total
In School	$ 1,131	$ 223	$ 1,354
Grace	711	32	743
Deferral	28,894	753	29,647
Forbearance	32,743	492	33,235
Repayment	259,807	5,974	265,781
Totals	323,286	7,474	330,760
Allowances	(769)	(566)	(1,335)
	$ 322,517	$ 6,908	$ 329,425

Estimated future maturities of CSLF's student loan portfolio is as follows:

June 30, 2016	$ 23,122
2017	23,882
2018	25,300
2019	26,834
2020	28,441
2021-2025	139,903
2026-2030	63,278
Total	$ 330,760

(Amounts Expressed in Thousands)

NOTE 4 - CAPITAL ASSETS

CHEFA's capital asset activity for the year ended June 30, 2015, is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Leasehold improvements	$ 154	$ -	$ -	$ 154
Computer equipment	638	13	-	651
Furniture and fixtures	282	-	-	282
Office equipment	522	56	-	578
Total capital assets	1,596	69	-	1,665
Less accumulated depreciation and amortization for:				
Leasehold improvements	(149)	(1)	-	(150)
Computer equipment	(631)	(20)	-	(651)
Furniture and fixtures	(265)	(8)	-	(273)
Office equipment	(380)	(42)	-	(422)
	(1,425)	(71)	-	(1,496)
Total	$ 171	$ (2)	$ -	$ 169

NOTE 5 - BONDS PAYABLE

The following is a summary of changes in CHESLA's bonds payable for the year ended June 30, 2015:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015	Due Within One Year
Bonds payable - principal	$ 173,205	$ -	$ (19,115)	$ 154,090	$ 11,105
Discount	(483)	-	70	(413)	-
Premium	2,129	-	(128)	2,001	-
Total	$ 174,851	$ -	$ (19,173)	$ 155,678	$ 11,105

(Amounts Expressed in Thousands)

NOTE 5 - BONDS PAYABLE (CONTINUED)

The bonds of CHESLA bear interest at rates varying between 0.4% and 5.25%. Future amounts needed to pay principal and interest on bonds outstanding at June 30, 2015 is as follows:

Year Ending June 30	Principal	Interest
2016	$ 11,105	$ 6,162
2017	12,375	5,709
2018	12,450	5,204
2019	12,235	4,683
2020	12,550	4,176
2021-2025	53,185	14,008
2026-2030	31,980	4,085
2031-2035	7,355	768
2036	855	18
Total	$ 154,090	$ 44,813

Outstanding principal of each bond issue as of June 30, 2015 is as follows:

	Original Amount	Outstanding June 30, 2015
2003 Series A, 1.7%-4.5%, due serially from November 15, 2004 to November 15, 2020	$ 18,000	$ 4,780
2003 Series B, 2%-5%, due serially from November 15, 2004 to November 15, 2017	12,915	2,875
2005 Series A, 2.5%-4.375%, due serially from November 15, 2005 to November 15, 2021	31,455	9,065
2006 Series A, 3.9%-4.8%, due serially from November 15, 2007 to November 15, 2022	33,270	9,900
2007 Series A, 4.125%-1.875%, due serially from November 15, 2010 to November 15, 2024	41,000	20,700
2009 Series A 1.9%-5.05%, due serially from November 15, 2011 to November 15, 2027	30,000	19,120
2010 Series A 2.0%-5.25%, due serially from November 15, 2014 to November 15, 2035	45,000	36,140
2012 Series A .4%-3.125%, due serially from November 15, 2012 to November 15, 2021	13,085	4,830
2013 Series A 2%-4%, due serially from November 15, 2014 to November 15, 2029	25,000	23,680
2014 Series A 3%-5%, due serially from November 15, 2015 to November 15, 2030	23,000	23,000
Total	$ 272,725	$ 154,090

(Amounts Expressed in Thousands)

NOTE 5 - BONDS PAYABLE (CONTINUED)

Each Series A bond is subject to a special mandatory redemption in whole or in part from excess loan payments. During the year ended June 30, 2015, CHESLA redeemed bonds in the following amounts:

2005 Series A	$ 300
2006 Series A	1,235
2007 Series A	1,630
2009 Series A	1,330
2010 Series A	1,660
2012 Series A	280
2013 Series A	1,320
Total	$ 7,755

CSLF has issued the following bonds outstanding at June 30, 2015, to finance student loans:

	Beginning Balance	Redemptions	Ending Balance
Senior Series 2004 A-1, dated October 15, 2004; comprised of auction variable rate bonds with principal due June 1, 2034 Interest is payable monthly at variable rates which ranged 0% to 1.671%	$ 60,600	$ (50,800)	$ 9,800
Senior Series 2004 A-3, dated October 15, 2004; comprised of auction variable rate bonds with principal due June 1, 2034 Interest is payable monthly at variable rates which ranged 0% to 1.645%	70,575	-	70,575
Subordinate Series 2004B, dated October 15, 2004; comprised of auction variable rate bonds with principal due June 1, 2034 Interest is payable monthly at variable rates which ranged 0% to 1.669%	57,350	-	57,350
Senior Series 2006 A-1, dated July 11, 2006; comprised of auction variable rate bonds with principal due June 1, 2046 Interest is payable monthly at variable rates which ranged 0% to 1.647%	72,925	-	72,925
Subordinate Series 2006 B-1, dated July 11, 2006; comprised of auction variable rate bonds with principal due June 1, 2046 Interest is payable monthly at variable rates which ranged 0% to 1.647%	19,975	-	19,975
Senior Series 2006 A-2, dated December 12, 2006; comprised of auction variable rate bonds with principal due June 1, 2046 Interest is payable monthly at variable rates which ranged 0% to 1.671%	81,475	-	81,475
	362,900	(50,800)	312,100
Discount	(1,100)	226	(874)
	$ 361,800	$ (50,574)	$ 311,226

(Amounts Expressed in Thousands)

NOTE 5 - BONDS PAYABLE (CONTINUED)

The following redemptions occurred during fiscal year 2015:

Date	Par Tendered	Cash Paid
7/2014	$ 6,300	$ 6,300
8/2014	4,200	4,200
9/2014	-	-
10/2014	6,000	6,000
11/2014	6,100	6,100
12/2014	5,000	5,000
1/2015	5,400	5,400
2/2015	3,600	3,600
3/2015	2,200	2,200
4/2015	6,000	6,000
5/2015	-	-
6/2015	6,000	6,000
	$ 50,800	$ 50,800

The interest rate payable to the bondholders for these issues are variable auction rate certificates ("ARCs") which generally have interest rate reset periods of either 28 or 35 days. The interest rates associated with the various bond issues at the last reset period prior to the June 30, 2015 year-end ranged from 0.00% to 1.671%.

The maximum rate on the ARCs is defined in each bond prospectus and is based on one of the following: the average of the 91-day United States Treasury Bill rate plus 1.2% or 1.5% or the LIBOR rate plus 1.5% depending on the bond's rating. It may not exceed 17.0%. The capital markets for student loans have experienced a significant disruption resulting in decreased marketability of student loans and related ARCs. The bonds are not callable if the auction period expires, as the bonds revert back to the existing bond holders prior to the auction.

At June 30, 2015, the outstanding principal balance due to all bondholders was $312,100. The approximate future annual principal and interest payments are due as follows:

Year Ending June 30	Principal	Interest
2016	$ -	$ 3,793
2017	-	3,793
2018	-	3,793
2019	-	3,793
2020	-	3,793
2021-2025	-	18,964
2026-2030	-	18,964
2031-2035	137,725	17,090
2036-2040	-	10,315
2041-2045	-	10,315
2046-2047	174,375	2,235
Total	$ 312,100	$ 96,848

Approximate future interest payments were estimated based on an average of the interest rate applicable during the most recent fiscal year.

NOTE 5 - BONDS PAYABLE (CONTINUED)

As of June 30, 2015, CHEFA had total outstanding principal balances of special obligation bonds of $8,412,187. The bonds are issued on behalf of institutions to finance the construction of various health and educational facilities. These bonds are conduit debt obligations of CHEFA and do not constitute obligations of CHEFA and therefore not reported within the statements of net position.

CHEFA issued general obligation bonds through July 1979 for which CHEFA was responsible for the payment of principal and interest when due. Subsequent to July 1, 1979, CHEFA has issued only special obligation bonds for which principal and interest is payable solely from the revenues of the institutions. As of June 30, 2015, there were no general obligation bonds outstanding.

NOTE 6 - CHILD CARE FACILITIES LOAN PROGRAMS

CHEFA has entered into a partnership with the State of Connecticut Department of Education, the Office of the State Treasurer, and banking institutions to provide child care providers with access to financing under three loan programs: the Tax-Exempt Pooled Bond Issue Program, the Guaranteed Loan Fund Program and the Small Revolving Direct Loan Program.

Tax-Exempt Child Care Facilities Program - From April 1998 to June 2011, CHEFA issued $78,430 in revenue bonds under the Tax-Exempt Pooled Bond Issue Program. The program was established to provide low interest loans to eligible childcare providers for the new construction or renovation of child care centers. Debt issued under this program is not the obligation of CHEFA. In August 2011, CHEFA issued $28,840 of State Supported Child Care Revenue Bonds, Series 2011 that refinanced all but two series (Child Care Facilities Program Series F and G) of the previously issued bonds. In April 2015, CHEFA issued State Supported Child Care Revenue Bonds that refinanced the Series F and G bonds.

As of June 30, 2015, there was approximately $58,235 in loan balances outstanding under this program. The State of Connecticut is responsible for paying a portion of the debt service on the Child Care Facilities Program Series F and G bonds and all of the debt service on the State Supported Child Care Revenue Bonds, subject to available appropriations and pursuant to a Memorandum of Understanding.

Guaranteed Loan Fund Program - The purpose of the Guaranteed Loan Fund Program is to guarantee loans for the expansion or development of childcare and child development centers in the State. CHEFA is responsible for guaranteeing 20% to 50% of each loan outstanding. As of June 30, 2015, outstanding loan balances totaled $7,181. As of June 30, 2015, on average, CHEFA is guaranteeing 38.5% of those balances, or approximately $2,763.

In 1998, $4,500 of CHEFA's net position was restricted to be used for loan guarantees and debt service funding under this program, if providers default on their loans. As of June 30, 2008, this restriction was reduced to $4,320, a decrease of $180, which was due to a payment on a defaulted loan.

In 1998, the Connecticut Department of Social Services (DSS) transferred $1,500 to CHEFA to further support this program, with those funds serving as an additional reserve.

In June 1999, CHEFA's Board of Directors approved an amendment to the Guaranteed Loan Fund to subsidize 3% of the interest rate on future loans issue in conjunction with this program. Loans issued under this program are approved, granted and administered by participating financial institutions.

NOTE 6 - CHILD CARE FACILITIES LOAN PROGRAMS (CONTINUED)

Small Revolving Direct Loan Program - This program provides for loans or loan guarantees from the State of Connecticut to childcare providers. In 1999, DSS transferred $750 to CHEFA to support the Small Direct Loan Program. The funds transferred to CHEFA represent funds available to provide loan guarantees. As of June 30, 2015, the balance of those funds remaining was $672, reflecting drawdowns for loan defaults. CHEFA is under no obligation to provide additional funds for loan guarantees.

The DSS contributions to the Guaranteed Loan Fund Program and the Small Direct Loan Program, net of payouts and accrued expense, along with CHEFA's $4,320 to support the Guaranteed Loan Fund Program, are recorded within Restricted Investments.

NOTE 7 - STUDENT LOAN PROGRAMS MANDATED BY STATE STATUTE

Pursuant to Public Act 09-110, which established the Connecticut Credit Union Student Loan Program, CHEFA was required to fund a first loss loan guarantee of 20% on the outstanding balance on each loan. The guarantee reserve at June 30 2015 was $415 and is sufficient to meet the loan loss reserve requirement. This amount is included within restricted investments.

NOTE 8 - NET POSITION

A portion of the unrestricted net position has been designated by CHEFA's Board of Directors for operations and the remainder for programs that are part of CHEFA's mission and purpose, as well as for contingencies. In addition, as described in Note 6, CHEFA designated $4,320 of its net position for the Guaranteed Loan Fund Program for child care facilities pursuant to Public Act 97-259. The $4,320, along with the $415 set aside for the Connecticut Credit Union Student Loan Program for fiscal year 2015 are reflected within restricted net position. In addition, CHEFA has restricted $7,000 for future transfers to the State in fiscal years 2016 and 2017.

CHESLA's Board of Directors designated unrestricted net assets of $1,000 as of June 30, 2015, to be used to maintain future operations required to monitor and administer the loan portfolio in the event CHESLA ceases to issue new loans. CHESLA's restricted net assets consist of the net position of the assets and liabilities held within the individual bond funds as governed by the bond resolutions as previously discussed in Note 1.

For CSLF, the Bond Indenture requires that CSLF maintain a parity of 102.5% (Trust Estate asset to Trust Estate liability ratio), which represents its restricted net position. If parity exceeds 102.5%, CSLF is able, but not required, to transfer funds above the parity ratio to operations. At June 30, 2015, the ratio was 110.6%. At June 30, 2015, the Board has not authorized any funds to be transferred to operations; however, the amount available to transfer at June 30, 2015, is $24,136.

(Amounts Expressed in Thousands)

NOTE 8 - NET POSITION (CONTINUED)

A summary of the net position as of June 30, 2015, is as follows:

	CHEFA	CHESLA	CSLF
Invested in capital assets	169	-	-
Restricted:			
Trust Estate	-	-	7,891
Bond funds	-	15,923	-
State transfer reserve	7,000	-	-
Child care facilities loan program	4,320	-	-
Student loan guarantee program	415	-	-
Total restricted	11,735	15,923	7,891
Unrestricted:			
Focused investment program	1,669	-	-
Legal fee contingencies	1,500	-	-
Operations and contingency	617	-	24,144
CHESLA unrestricted net position	-	2,417	-
Total unrestricted	3,786	2,417	24,144
Total	15,690	18,340	32,035

NOTE 9 - STATE OF CONNECTICUT DEPOSIT REQUIREMENT

Deficiencies, if any, in the Debt Service Fund balances within the CHESLA Bond Funds will be funded from the amount on deposit in the applicable Special Capital Reserve Fund. Both the Debt Service Fund and the Special Capital Reserve Fund are components of restricted investments. In accordance with the Public Act 82-313, the State must deposit with the trustee monies necessary to restore the Special Capital Reserve Fund requirement. As of June 30, 2015, the State has not made nor was it required to make any such deposit.

NOTE 10 - RELATED PARTY TRANSACTIONS

CHEFA charged CHESLA in fiscal year 2015 an annual fee of $150 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. In addition, CHESLA reimbursed CHEFA directly for specific general and administrative expenses incurred.

The general agency fund of CHESLA charges a fee to each of the bond funds for administering the bond and loan portfolios. The fee is based on an agreed upon percentage of the outstanding loans payable in each of the funds. For the year ended June 30, 2015 was $642.

(Amounts Expressed in Thousands)

NOTE 11 - EMPLOYEE BENEFIT PLANS

CHEFA maintains a defined contribution money purchase plan (the Plan) covering all employees with three months of continuous service and one-thousand anticipated hours of service annually. The Plan is administered by CHEFA and can be amended by the trustees of the Plan. CHEFA and CHESLA contribute annually to the Plan an amount equal to ten percent of each qualified employee's annual salary. For the year ended June 30, 2015, retirement plan expense was $223.

In addition, CHEFA has a deferred compensation plan, which was established during fiscal year 1991 in accordance with Internal Revenue Code Section 457 and is available to CHEFA employees. Employees are permitted to defer a portion of their salaries, subject to certain limitations. CHEFA and CHESLA match up to one thousand five hundred dollars of employee contributions. Related expense was $29 for the year ended June 30, 2015.

NOTE 12 - OPERATING LEASES

CHEFA leases office space and other office equipment for use in operations. As of June 30, 2015, minimum future rental commitments of the leases are as follows:

2016	$	242
2017	$	240
2018	$	244
2019	$	123

Rental expense for these leases during the year ended June 30, 2015 was $227.

NOTE 13 - LEGAL MATTERS AND RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; directors and officers; injuries to employees; or acts of God. The Authority purchases commercial insurance to mitigate loss from these risks. Under terms of the agreements between the Authority and its borrowers, any costs associated with the litigation are the obligations of the borrowers. CHEFA is indemnified under the terms of the bond agreements.

NOTE 14 - SPECIAL ITEM

Until January 2010, CSLF administered the FFELP in Connecticut as the State designated guarantee agency. CSLF's principal responsibilities as a guarantee agency included making claim payments to lenders whose loans it had insured and collecting defaulted loans from borrowers. CSLF transferred its guarantor operations to a third party guarantor. Through December 2014, CSLF had the right to 50% of collection retention revenues in excess of operating costs on claims paid under the guarantees transferred by CSLF.

The Bi-Partisan Budget Act of 2013 included a provision that reduced the compensation that guaranty agencies receive for rehabilitating a loan from the FFELP beginning July 1, 2014.

NOTE 14 - SPECIAL ITEM (CONTINUED)

Funds received under this special item by CSLF are restricted and may only be used for those educational purposes as specified in 34 C.F.R. § 682,423 (c) and for the benefit of higher educational institutions located in the State of Connecticut and for supporting efforts in the State of Connecticut for the benefit of Connecticut students and their families for college access and completion. Permitted uses of said CSLF funds would include but not be limited to default aversion activities, financial aid awareness and related outreach activities or other student financial aid-related activities for the benefit of students and boosting the college completion rates of low-income students. Any funds distributed to CSLF are to be distributed on an annual basis within 60 days of the end of each Federal fiscal year by the third party guarantor. Revenue from this special item for the year ended June 30, 2015 was $1,259.

NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB No.68). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The adoption of this standard did not have an impact on the Authority's financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). The objective of this Statement is to improve the accounting for mergers and acquisitions among state and local governments by providing guidance specific to the situations and circumstances encountered within the governmental environment. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The adoption of this standard did not have an impact on the Authority's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68*, (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The adoption of this standard did not have an impact on the Authority's financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to provide guidance relating to accounting and financial reporting issues related to fair value measurements on investments. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Authority is in process of assessing the impact of this statement on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement also establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as clarifying the application of certain provisions of GASB Statements No. 67 and No. 68. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Authority is in process of assessing the impact of this statement on its financial statements.

NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB plans) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement replaces GASB Statement No. 43 and No. 57. The Statement will enhance financial statement disclosures and schedules as well as required supplemental information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Authority is in process of assessing the impact of this statement on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB plans). It also improves information provided by state and local governmental employers about financial support for OPEB plans that are provided by other entities. The Statement replaces requirements of Statement No. 45. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The Authority is in process of assessing the impact of this statement on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of the Statement is to identify, within the context of the current governmental financial reporting environment, the hierarchy of GAAP. The Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Authority is in process of assessing the impact of this statement on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* The objective of the Statement is to improve financial reporting by giving users of financial statements essential information regarding the nature and magnitude of tax abatements. In addition, it provides the financial statement user information on how tax abatements will affect a government's future ability to raise resources and meet its financial obligations and the impact those abatements have on a government's financial position and economic condition. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Authority is in process of assessing the impact of this statement on its financial statements.

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
COMBINING SCHEDULE OF NET POSITION - CHEFA, CHESLA AND CSLF
JUNE 30, 2015
(Amounts Expressed in Thousands)

	CHEFA	CHESLA	Eliminations	Total	CSLF	Eliminations	Total
ASSETS							
Current assets:							
Unrestricted assets:							
Cash	$ 441	$ 48	$ -	**$ 489**	$ 965	$ -	**$ 1,454**
Investments	-	1,278	-	**1,278**	-	-	**1,278**
Accounts receivable, less allowance of $86	155	-	-	**155**	-	-	**155**
Board-designated investments	5,413	1,000	-	**6,413**	-	-	**6,413**
Due from CSLF	-	2,000	-	**2,000**	-	(2,000)	**-**
Prepaid expenses and other assets	74	14	-	**88**	34	-	**122**
Total unrestricted assets	6,083	4,340	-	**10,423**	999	(2,000)	**9,422**
Restricted assets:							
Fund investments	323,724	-	-	**323,724**	-	-	**323,724**
Trust investments	-	28,512	-	**28,512**	11,758	-	**40,270**
Current portion of loans receivable, net of							**-**
allowances for loan losses of $2,787	-	16,754	-	**16,754**	-	-	**16,754**
Current portion of loans receivable, net of							**-**
allowances for loan losses of $1,335	-	-	-	**-**	21,787	-	**21,787**
Loan interest receivable	-	465	-	**465**	5,390	-	**5,855**
Interest receivable on investments	-	134	-	**134**	-	-	**134**
Total current assets	329,807	50,205	-	**380,012**	39,934	(2,000)	**417,946**
Non-current assets:							
Unrestricted assets:							
Capital assets, net	169	-	-	**169**	-	-	**169**
Restricted assets:							**-**
Prepaid bond insurance premiums	-	155	-	**155**	-	-	**155**
Restricted investments	10,407	23,557	-	**33,964**	-	-	**33,964**
Loans receivable, net of current portion	-	102,988	-	**102,988**	307,638	-	**410,626**
Total non-current assets	10,576	126,700	-	**137,276**	307,638	-	**444,914**
Total assets	$ 340,383	$ 176,905	$ -	**$ 517,288**	$ 347,572	$ (2,000)	**$ 862,860**

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
COMBINING SCHEDULE OF NET POSITION - CHEFA, CHESLA AND CSLF (CONTINUED)
JUNE 30, 2015
(Amounts Expressed in Thousands)

	CHEFA	CHESLA	Eliminations	Total	CSLF	Eliminations	Total
LIABILITIES AND NET POSITION							
Current liabilities:							
Accounts payable and accrued expenses	$ 2,297	$ 2,073	$ -	**$ 4,370**	$ 94	$ -	**$ 4,464**
U.S. Department of Education payable	-	-	-	**-**	1,676	-	**1,676**
Trust Estate payable	-	-	-	**-**	541	-	**541**
Current portion of bonds payable	-	11,105	-	**11,105**	-	-	**11,105**
Accrued interest payable	-	814	-	**814**	-	-	**814**
Due to CHESLA	-	-	-	**-**	2,000	(2,000)	**-**
Amounts held for institutions	320,224	-	-	**320,224**	-	-	**320,224**
Total current liabilities	322,521	13,992	-	**336,513**	4,311	(2,000)	**338,824**
Non-current liabilities:							
Bonds payable, net of current portion	-	144,573	-	**144,573**	311,226	-	**455,799**
Amount held on behalf of the State of Connecticut	2,172	-	-	**2,172**	-	-	**2,172**
Total non-current liabilities	2,172	144,573	-	**146,745**	311,226	-	**457,971**
Total liabilities	324,693	158,565	-	**483,258**	315,537	(2,000)	**796,795**
Net position:							
Net investment in capital assets	169	-	-	**169**	-	-	**169**
Restricted	11,735	15,923	-	**27,658**	7,891	-	**35,549**
Unrestricted	3,786	2,417	-	**6,203**	24,144	-	**30,347**
Total net position	15,690	18,340	-	**34,030**	32,035	-	**66,065**
Total liabilities and net position	$ 340,383	$ 176,905	$ -	**$ 517,288**	$ 347,572	$ (2,000)	**$ 862,860**

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CHEFA, CHESLA AND CSLF
FOR THE YEAR ENDED JUNE 30, 2015
(Amounts Expressed in Thousands)

	CHEFA	CHESLA	Eliminations	Total	CSLF	Eliminations	Total
Operating revenues:							
Interest income on loans receivable	$ -	$ 8,368	$ -	**$ 8,368**	$ 11,586	$ -	**$ 19,954**
Administrative fees	7,513	-	-	**7,513**	-	-	**7,513**
Bond issuance fees	90	-	-	**90**	-	-	**90**
Not-for-profit servicing income	-	-	-	**-**	183	-	**183**
Other revenues	215	-	(150)	**65**	9	-	**74**
Total operating revenues	7,818	8,368	(150)	**16,036**	11,778	-	**27,814**
Operating expenses:							
Interest expense	-	6,690	-	**6,690**	4,256	-	**10,946**
Salaries and related expenses	2,896	192	-	**3,088**	-	-	**3,088**
General and administrative expenses	1,014	484	(150)	**1,348**	334	-	**1,682**
Loan service fees	-	563	-	**563**	1,454	-	**2,017**
Consolidation fee expense	-	-	-	**-**	2,013	-	**2,013**
Contracted services	-	-	-	**-**	557	-	**557**
Bond issuance costs	-	104	-	**104**	-	-	**104**
Provision for loan losses	-	760	-	**760**	150	-	**910**
Total operating expenses	3,910	8,793	(150)	**12,553**	8,764	-	**21,317**
Total operating income	3,908	(425)	-	**3,483**	3,014	-	**6,497**
Non-operating expenses:							
Investment income	13	1,148	-	**1,161**	67	-	**1,228**
Legislative mandate	-	-	-	**-**	(25,000)	-	**(25,000)**
Revenues from CSLF to CHESLA	-	4,000	-	**4,000**	(4,000)	-	**-**
Scholarship expense	-	(2,000)	-	**(2,000)**	-	-	**(2,000)**
Grant expense	(2,993)	-	-	**(2,993)**	-	-	**(2,993)**
Total non-operating expense	(2,980)	3,148	-	168	(28,933)	-	(28,765)
Change in net position before special item	928	2,723	-	**3,651**	(25,919)	-	**(22,268)**
Special item:							
Change in net position from special item	-	-	-	**-**	1,259	-	**1,259**
Increase (decrease) in net position	928	2,723	-	**3,651**	(24,660)	-	**(21,009)**
Net position, beginning of year	14,762	15,617	-	**30,379**	56,695	-	**87,074**
Net position, end of year	$ 15,690	$ 18,340	$ -	**$ 34,030**	$ 32,035	$ -	**$ 66,065**

CHESLA
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2015
(Amounts Expressed in Thousands)

	Agency Operating Fund	Non-Bond Fund	Bond Funds 1990 Resolution	Bond Funds 2003 Resolution	Total CHESLA
ASSETS					
Current assets:					
Unrestricted assets:					
Cash	$ 48	$ -	$ -	$ -	**$ 48**
Investments	1,278	-	-	-	**1,278**
Board-designated investments	1,000	-	-	-	**1,000**
Due from CSLF	-	2,000	-	-	**2,000**
Prepaid expenses and other assets	14	-	-	-	**14**
Total unrestricted assets	2,340	2,000	-	-	**4,340**
Restricted assets:					
Trust investments	-	-	20,891	7,621	**28,512**
Current portion of loans receivable, net of allowances for loan losses of $2,787	-	-	11,229	5,525	**16,754**
Interest receivable on investments	-	-	58	76	**134**
Loan interest receivable	-	-	335	130	**465**
Total restricted assets	-	-	32,513	13,352	**45,865**
Total current assets	2,340	2,000	32,513	13,352	**50,205**
Non-current assets:					
Restricted investments	-	-	13,057	10,500	**23,557**
Loans receivable, net of current portion	-	-	69,224	33,764	**102,988**
Prepaid bond insurance premiums	82	-	-	73	**155**
Total non-current assets	82	-	82,281	44,337	**126,700**
Total assets	$ 2,422	$ 2,000	$ 114,794	$ 57,689	**$ 176,905**

CHESLA
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2015
(Amounts Expressed in Thousands)

	Agency Operating Fund	Non Bond Fund	Bond Funds 1990 Resolution	Bond Funds 2003 Resolution	Total CHESLA
LIABILITIES AND NET POSITION					
Current liabilities:					
Accounts payable and accrued expenses	$ 5	$ 2,000	$ 52	$ 16	**$ 2,073**
Current portion of bonds payable	-	-	4,475	6,630	**11,105**
Accrued interest payable	-	-	534	280	**814**
Total current liabilities	5	2,000	5,061	6,926	**13,992**
Non-current liabilities:					
Bonds payable, net of current portion	-	-	104,237	40,336	**144,573**
Total liabilities	5	2,000	109,298	47,262	**158,565**
Net position:					
Restricted	-	-	5,496	10,427	**15,923**
Unrestricted	2,417	-	-	-	**2,417**
Total net position	2,417	-	5,496	10,427	**18,340**
Total liabilities and net position	$ 2,422	$ 2,000	$ 114,794	$ 57,689	**$ 176,905**

CHESLA
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
(Amounts Expressed in Thousands)

	Agency Operating Fund	Non-Bond Fund	Bond Funds 1990 Resolution	Bond Funds 2003 Resolution	Eliminations	Total CHESLA
Operating revenues:						
Interest income on loans receivable	$ -	$ -	$ 5,447	$ 2,921	$ -	**$ 8,368**
Administrative fees	642	-	-	-	(642)	**-**
Total operating revenues	642	-	5,447	2,921	(642)	**8,368**
Operating expenses:						
Interest expense	-	-	4,226	2,464	-	**6,690**
Salaries and related expenses	192	-	-	-	-	**192**
General and administrative expenses	286	-	322	518	(642)	**484**
Loan service fees	-	-	398	165	-	**563**
Bond issuance and insurance costs	22	-	61	21	-	**104**
Provision for loan losses	-	-	743	17	-	**760**
Total operating expenses	500	-	5,750	3,185	(642)	**8,793**
Total operating income	142	-	(303)	(264)	-	**(425)**
Non-operating revenues (expenses):						
Investment income	5	-	571	572	-	**1,148**
Revenues from CSLF	-	2,000	2,000	-	-	**4,000**
Scholarship expense	-	(2,000)	-	-	-	**(2,000)**
Increase (decrease) in net position	147	-	2,268	308	-	**2,723**
Net position, beginning of year	2,270	-	3,228	10,119	-	**15,617**
Net position, end of year	$ 2,417	$ -	$ 5,496	$ 10,427	$ -	**$ 18,340**

CSLF
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2015
(Amounts Expressed in Thousands)

	Trust Estate	Restricted Other	General	Total
ASSETS				
Current assets:				
Unrestricted assets:				
Cash	$ -	$ -	$ 965	**$ 965**
Prepaid expenses and other assets	-	-	34	**34**
Total unrestricted assets	-	-	999	**999**
Restricted assets:				
Trust Investments	11,758	-	-	**11,758**
Loans receivable net of				
allowances for loan losses of $1,335	21,787	-	-	**21,787**
Loan interest receivable	5,390	-	-	**5,390**
Total current assets	38,935	-	999	**39,934**
Non-current assets:				
Loans receivable, net of current portion	307,638	-	-	**307,638**
Total assets	$ 346,573	$ -	$ 999	**$ 347,572**

CSLF
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2015
(Amounts Expressed in Thousands)

	Trust Estate	Restricted Other	General	Total
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and accrued expenses	$ -	$ -	$ 94	**$ 94**
U.S. Department of Education payable	1,676	-	-	**1,676**
Trust Estate payables	541	-	-	**541**
Due to CHESLA	-	-	2,000	**2,000**
Total current liabilities	2,217	-	2,094	**4,311**
Non-current liabilities:				
Bonds payable	311,226	-	-	**311,226**
Total liabilities	313,443	-	2,094	**315,537**
Net position:				
Restricted	7,891	-	-	**7,891**
Unrestricted	25,239	-	(1,095)	**24,144**
Total net position	33,130	-	(1,095)	**32,035**
Total liabilities and net position	$ 346,573	$ -	$ 999	**$ 347,572**

CSLF
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2015
(Amounts Expressed in Thousands)

	Trust Estate	Restricted Other	General	Total
Operating revenues:				
Interest income on loans receivable	$ 11,586	$ -	$ -	**$ 11,586**
Not-for-profit servicing income	-	-	183	**183**
Other revenues	-	-	9	**9**
Transfering for servicing and administration	(865)	-	865	**-**
Total operating revenues	10,721	-	1,057	**11,778**
Operating expenses:				
Interest expense	4,256	-	-	**4,256**
General and administrative expenses	225	-	109	**334**
Loan service fees	1,454	-	-	**1,454**
Consolidation fee expense	2,013	-	-	**2,013**
Contracted services	-	-	557	**557**
Provision for loan losses	150	-	-	**150**
Total operating expenses	8,098	-	666	**8,764**
Total operating income	2,623	-	391	**3,014**
Non-operating expenses:				
Investment income	-	31	36	**67**
Transfering for legislative mandate	(2,781)	(249)	3,030	**-**
Legislative mandate	-	(18,300)	(6,700)	**(25,000)**
Expenses to CHESLA	-	-	(4,000)	**(4,000)**
Change in net position before special item	(158)	(18,518)	(7,243)	**(25,919)**
Special item:				
Change in net position from special item	-	1,259	-	**1,259**
Increase (decrease) in net position	(158)	(17,259)	(7,243)	**(24,660)**
Net position, beginning of year	33,288	17,259	6,148	**56,695**
Net position, end of year	$ 33,130	$ -	$ (1,095)	**$ 32,035**

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
COMBINING SCHEDULE OF NET POSITION - CHEFA AND CHESLA
JUNE 30, 2014 (unaudited)
(Amounts Expressed in Thousands)

	CHEFA	CHESLA	Eliminations	Total
ASSETS				
Current assets:				
Unrestricted assets:				
Cash	$ 361	$ 23	$ -	**$ 384**
Investments	-	1,133	-	**1,133**
Accounts receivable, less allowance of $86	617	-	-	**617**
Board-designated investments	11,617	1,000	-	**12,617**
Prepaid expenses and other assets	80	16	-	**96**
Total unrestricted assets	12,675	2,172	-	**14,847**
Restricted assets:				
Fund investments	407,730	-	-	**407,730**
Trust investments	-	41,428	-	**41,428**
Current portion of loans receivable, net of allowances for loan losses of $2,357	-	18,605	-	**18,605**
Interest receivable on loans receivable	-	476	-	**476**
Interest receivable on investments	-	135	-	**135**
Total current assets	420,405	62,816	-	**483,221**
Non-current assets:				
Unrestricted assets:				
Capital assets, net	171	-	-	**171**
Restricted assets:				
Prepaid bond insurance premiums	-	199	-	**199**
Restricted investments	7,088	23,163	-	**30,251**
Loans receivable, net of current portion	-	105,353	-	**105,353**
Total non-current assets	7,259	128,715	-	**135,974**
Total assets	$ 427,664	$ 191,531	$ -	**$ 619,195**

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
COMBINING SCHEDULE OF NET POSITION - CHEFA AND CHESLA (CONTINUED)
JUNE 30, 2014 (unaudited)
(Amounts Expressed in Thousands)

	CHEFA	CHESLA	Eliminations	Total
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and accrued expenses	$ 2,990	$ 241	$ -	**$ 3,231**
Current portion of bonds payable	-	10,765	-	**10,765**
Accrued interest payable	-	822	-	**822**
Amounts held for institutions	407,730	-	-	**407,730**
Total current liabilities	410,720	11,828	-	**422,548**
Non-current liabilities:				
Bonds payable, net of current portion	-	164,086	-	**164,086**
Amount held on behalf of the State of Connecticut	2,182	-	-	**2,182**
Total non-current liabilities	2,182	164,086	-	**166,268**
Total liabilities	412,902	175,914	-	**588,816**
Net position:				
Net investment in capital assets	171	-	-	**171**
Restricted	4,906	13,347	-	**18,253**
Unrestricted	9,685	2,270	-	**11,955**
Total net position	14,762	15,617	-	**30,379**
Total liabilities and net position	$ 427,664	$ 191,531	$ -	**$ 619,195**

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CHEFA AND CHESLA
FOR THE YEAR ENDED JUNE 30, 2014 (unaudited)
(Amounts Expressed in Thousands)

	CHEFA	CHESLA	Eliminations	Total
Operating revenues:				
Interest income on loans receivable	$ -	$ 8,530	$ -	**$ 8,530**
Administrative fees	7,233	-	-	**7,233**
Bond issuance fees	80	-	-	**80**
Other revenues	178	-	(143)	**35**
Total operating revenues	7,491	8,530	(143)	**15,878**
Operating expenses:				
Interest expense	-	6,722	-	**6,722**
Salaries and related expenses	2,848	197	-	**3,045**
General and administrative expenses	1,023	453	(143)	**1,333**
Loan service fees	-	706	-	**706**
Bond issuance costs	-	379	-	**379**
Provision for loan losses	-	302	-	**302**
Total operating expenses	3,871	8,759	(143)	**12,487**
Total operating income	3,620	(229)	-	**3,391**
Non-operating expenses:				
Investment income	9	1,041	-	**1,050**
Grant expense	(3,508)	-	-	**(3,508)**
Total non-operating expense	(3,499)	1,041	-	**(2,458)**
Increase (decrease) in net position	121	812	-	**933**
Net position, beginning of year	14,641	14,805	-	**29,446**
Net position, end of year	$ 14,762	$ 15,617	$ -	**$ 30,379**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of the
State of Connecticut Health and Educational Facilities Authority:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of the State of Connecticut Health and Educational Facilities Authority (the Authority), a component unit of the State of Connecticut as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying Schedule of Finding and Response, we identified a deficiency in internal control that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Finding and Response, as item 2015-001, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

The Authority's response to the finding identified in our audit are described in the accompanying Schedule of Finding and Response. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

October 21, 2015

Financial Statement Finding:

Finding 2015-001

2014 Financial Statement Restatement of Net Position – Significant Deficiency

Criteria: Under GASB Statements No. 14, 39 and 61, primary governments are to present its component units under either a blended or a discrete presentation. GASB 61 amended GASB 14 and provided clarification on when to present blended financial information, including an additional provision requiring the governing bodies of both entities to be substantially the same.

Condition: The 2014 basic financial statements of CHEFA included CHESLA presented as a blended component unit, since information for both entities was presented in a single column in the aggregate. During 2015, it was determined that the boards of CHEFA and CHESLA did not meet the GASB 61 criteria of "substantially the same", and as such, CHESLA should have been reported on a discrete basis. The 2015 financial statements have been prepared showing CHESLA on a discrete basis, and the opening net positions of both CHEFA and CHESLA as of July 1, 2014 were restated.

Cause: Management of CHEFA reviewed GASB standards and believed that the prior presentation was appropriate based on elements of control that existed between the entities.

Effect: Prior financial statements were not presented in accordance with GAAP, solely as it relates to the presentation of the component unit within the primary government's financial statements.

Recommendation: The Authority should continue to review GASB pronouncements over financial reporting to ensure accuracy of the financial statement presentation.

Views of Responsible Officials and Planned Corrective Actions: In fiscal years 2013 and 2014, management of CHEFA believed that a blended presentation was the proper presentation of CHEFA's financial statements based on GASB 14, 39 and 61. Pursuant to applicable enabling statutes, the CHEFA board is required to have control of the CHESLA board through shared directors (5 of the 10 are identical and CHEFA controls 3 of the 4 remaining board seats). Through our discussions with our then auditors (Saslow Lufkin & Buggy, LLP, which combined with Crowe Horwath LLP in 2015), there was nothing that came to our attention that suggested the blended presentation was inappropriate. We received clean opinions from our auditors, Saslow Lufkin & Buggy, on the presentation of those FY 2013 and FY 2014 financial statements and no deficiencies in internal controls were identified.

For FY 2015, Management changed the statement presentation to a discrete presentation based on a revised interpretation of GASB standards. It is important to note that the error had no effect on the financial data of the individual entities. The error solely relates to how the entities' financial data is presented within CHEFA's basic financial statements. The consolidating schedules provided in FY 2014 as supplementary information are comparable to the discrete presentation being provided in FY 2015. Additionally, there were no deficiencies in internal controls cited in FY 2014. Management will continue to carefully consider interpretations of GASB standards and will make knowledge of GASB a key consideration when selecting an audit firm.