September 27, 2016

The Honorable Dannel P. Malloy
Governor, State of Connecticut
State Capitol
Hartford, CT 06106

Dear Governor Malloy:

In accordance with the reporting requirements of Public Act No. 10-143, for the Fiscal Year Ending June 30, 2016, the Connecticut Student Loan Foundation (CSLF) is pleased to submit the following information:

Included with this submission are the audited financial statements for the Connecticut Health and Educational Facilities Authority, of which the Connecticut Student Loan Foundation is a subsidiary, for the fiscal year ended June 30, 2016.

Connecticut Student Loan Foundation
FY 2016 Update on Activities

On July 1, 2014, CSLF was reconstituted as a quasi-public component unit of the Connecticut Health and Educational Facilities Authority (CHEFA) and as a quasi-public agency for purposes of certain provisions of Connecticut law 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), which is another CHEFA subsidiary.

The CSLF Board comprises nine members, five statutorily designated and the remaining appointed by the CHEFA Board of Directors based on their qualifications, as specified in the enabling legislation. Jeanette Weldon, Managing Director of CHEFA, also serves as Executive Director of both CSLF and CHESLA. CSLF has no staff.

Respectfully submitted,

Jeanette W. Weldon
Executive Director
Connecticut Student Loan Foundation

Cc: Auditors of Public Accounts
Legislative Program Review and Investigations Committee

Enclosure: CHEFA 2016 Audited Financial Statements

House Bill No. 5392

Public Act No. 10-143

AN ACT CONCERNING NONAPPROPRIATED FUNDS AND PERSONNEL STATUS REPORTS BY QUASI-PUBLIC AGENCIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 1-123 of the 2010 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2010*):

(a) The board of directors of each quasi-public agency shall annually submit a report to the Governor and the Auditors of Public Accounts and two copies of such report to the Legislative Program Review and Investigations Committee. Such report shall include, but not be limited to, the following: (1) A list of all bond issues for the preceding fiscal year, including, for each such issue, the financial advisor and underwriters, whether the issue was competitive, negotiated or privately placed, and the issue's face value and net proceeds; (2) a list of all projects other than those pertaining to owner-occupied housing or student loans receiving financial assistance during the preceding fiscal year, including each project's purpose, location, and the amount of funds provided by the agency; (3) a list of all outside individuals and firms receiving in excess of five thousand dollars in the form of loans, grants or payments for services, except for individuals receiving loans for owner-occupied housing and education; (4) a balance sheet showing all revenues and expenditures; (5) the cumulative value of all bonds issued, the value of outstanding bonds, and the amount of the state's contingent liability; (6) the affirmative action policy statement, a description of the composition of the agency's work force by race, sex, and occupation and a description of the agency's affirmative action efforts; and (7) a description of planned activities for the current fiscal year. Not later than thirty days after receiving copies of such report from the board of a quasi-public agency, the Legislative Program Review and Investigations Committee shall prepare an assessment of whether the report complies with the requirements of this section and shall submit the assessment and a copy of the report to the joint standing committee of the General Assembly having cognizance of matters relating to the quasi-public agency.

(b) For the quarter commencing July 1, **[**2009**]** 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a report to the Office of Fiscal Analysis. **[**accounting for moneys received or held by the agency during the quarter. Such accounting shall include, at a minimum, all expenditures and revenues of the agency. **]** Such report shall include, but not be limited to, for each fund and account of the agency: (1) The beginning fiscal year balance; (2) all funds expended and all revenue collected by the end of the quarter; and (3) total expenditures and revenues estimated at the end of the fiscal year. For the purposes of this subsection, "expenditures" and "revenues" have the same meaning as provided in section 4-69.

(c) For the quarter commencing July 1, 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a personnel status report to the Office of Fiscal Analysis. Such report shall include, but not be limited to: (1) The total number of employees by the end of the quarter; (2) the positions vacated and the positions filled by the end of the quarter; and (3) the positions estimated to be vacant and the positions estimated to be filled at the end of the fiscal year.

Approved June 8, 2010

Connecticut Student Loan Foundation
Bond Issuance and Cumulative Bonds Outstanding
For the Fiscal Year ended June 30, 2016

CSLF has not issued bonds since 2007. The principal amounts of the outstanding bonds as of June 30, 2016 total $274,800,000, as shown below:

Bond Series	Bonds Issued	Bonds Outstanding
2004 A-1	$75,000,000	$-0-
2004 A-2	$75,000,000	$-0-
2004 A-3	$75,000,000	$43,075,000
2004 A-4	$75,000,000	$-0-
2004 A-5	$75,000,000	$-0-
2004 A-6	$71,100,000	$-0-
2004 A-7	$60,000,000	$ -0-
2004 B	$62,900,000	$57,350,000
2006 A-1	$80,000,000	$72,925,000
2006 B	$20,000,000	$19,975,000
2006 A-2	$100,000,000	$81,475,000
2007 A-1	$60,000,000	$-0-
2007 B	$20,000,000	$-0-
2007 A-3	$50,000,000	$-0-
2007 B-2	$36,900,000	$-0-
Total	**$935,900,000**	**$274,800,000**

The State has no contingent liability in connection with the bonds outstanding.

Connecticut Student Loan Foundation
Projects
For the Fiscal Year ended June 30, 2016

Connecticut Student Loan Foundation had no projects initiated during the fiscal year ended June 30, 2016.

Connecticut Student Loan Foundation
Loans, Grants or Services in excess of $5,000
General and Restricted Account Disbursements
Fiscal Year ended June 30, 2016

Paid from CSLF Operating Funds
Education Solution Partners, LLC
Crowe Horwath
Willis of Connecticut, LLC
Connecticut Health & Educational Facilities Authority
Connecticut Higher Education Supplemental Loan Authority

Paid from CSLF Trust Funds
US Department of Education
EdFinancial Services
Bank of New York Mellon Trust Company
Deutsche Bank
National Enterprise Systems
Samuel A. Ramirez Co., Inc.
Hawkins Delafield & Wood LLP

Connecticut Student Loan Foundation
Balance Sheet
For the Fiscal Year Ending June 30, 2016

Please refer to the enclosed Connecticut Health and Educational Facilities Authority audited financial statements for further detail.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Financial Statements
and Independent Auditor's Reports

June 30, 2016

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Table of Contents

Financial Section

Independent Auditor's Report

Board of Directors
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 Connecticut Health and Educational Facilities Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Connecticut Health and Educational Facilities 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.

Auditor's 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 from 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 auditor's 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 entity'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 entity'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 Connecticut Health and Educational Facilities Authority, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 4 to 13 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Connecticut Health and Educational Facilities Authority's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate 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 supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 22, 2016, on our consideration of the Connecticut Health and Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Connecticut Health and Educational Facilities Authority's internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
September 22, 2016

Management's Discussion and Analysis

Year Ended June 30, 2016

(In Thousands)

As management of Connecticut Health and Educational Facilities Authority (CHEFA), we offer readers of CHEFA's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. This Management's Discussion and Analysis presents separate discussion for the primary government (CHEFA) and each of the component units: Connecticut Higher Education Supplemental Loan Authority (CHESLA) and Connecticut Student Loan Foundation (CSLF), each addressing the operations of the individual entity.

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.

CHESLA, a subsidiary of CHEFA, 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.

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 is a Connecticut State-chartered non-profit corporation established pursuant to State of Connecticut General Statutes 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.

Financial Highlights

- CHEFA's net position decreased by $1,407 for the fiscal year, due substantially to the statutorily required payment of $3,500 to the State of Connecticut general fund. This was the first of two required payments.
- CHESLA's net position increased by $8,731 for the fiscal year. The increase was due substantially to $6,000 of monies contributed by CSLF to CHESLA for the student loan refinancing pilot program established by the CHESLA board in fiscal year 2016 and $2,000 contributed to the CHESLA 1990 Trust.
- CSLF's net position decreased by $6,810 for the fiscal year. The decrease was due substantially to the contributions of $6,000 for the refinancing program, $2,000 contributed to the CHESLA 1990 Trust and $1,889 contributed by CSLF for the scholarship program.
- CHESLA's loan activity during the fiscal year was the issuance of new loans totaling $15,340 and payments received of $7,061.
- CSLF's loan activity for the fiscal year was payments received of $45,142.
- CHESLA issued debt of $15,000 for new loans and issued refunding bonds of $21,465, the proceeds of which were used to defease $16,720 of bonds. Scheduled principal payments totaled $21,050 for net decrease of $1,305.
- CSLF's bonds payable decreased by $37,300 for voluntary redemptions made during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CHEFA's basic financial statements. CHEFA's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements. Separate financial statements are presented for CHEFA (primary government) and the two component units CHESLA and CSLF.

Financial statements. The financial statements are designed to provide readers with a broad overview of CHEFA's finances, in a manner similar to a private-sector business. CHEFA's operations are reported as business-type activities.

The *statement of net position* presents information on all of CHEFA's assets, liabilities, and deferred inflows of resources with the difference between these accounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CHEFA is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net position* presents information showing how CHEFA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected loans and earned but unused vacation leave).

The *statement of cash flows* presents the cash flow by each type of activity.

The financial statements can be found on Exhibits A, B and C.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to financial statements can be found in Exhibit D.

Connecticut Health and Educational Facilities Authority (CHEFA)

Financial Analysis

Assets exceeded liabilities at June 30, 2016. Net position may serve over time as a useful indicator of a government's financial position. Due to the nature of operations, a significant portion of net position is subject to specific external statutory restrictions. The restricted net position for CHEFA at fiscal year end was 57.0%. In addition, a small portion of CHEFA's net position invested in capital assets was 0.9%.

A summary of the statement of net position is as follows:

Summary Statement of Net Position
(in thousands)

	CHEFA	
	2016	**2015**
Current and other assets	$ 335,173	$ 340,214
Capital assets (net)	124	169
Total assets	335,297	340,383
Assets Held on Behalf of the State of CT	2,174	2,172
Other liabilities	318,840	322,521
Total liabilities	321,014	324,693

Net investment in capital assets	124	169
Restricted	8,138	11,735
Unrestricted	6,021	3,786
Total net position	$ 14,283	$ 15,690

The remaining portion of net position is unrestricted and is 42.1%.

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CHEFA's net position decreased by $1,407.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHEFA	
	2016	**2015**
Operating revenues:		
Administrative fees	$ 7,498	$ 7,513
General and administrative fees	205	200
Bond issuance fees	86	90
Other revenues	13	15
Total operating revenues	7,802	7,818
Operating expenses:		
Salaries and related expenses	2,664	2,896
General and administrative	549	819
Contracted services	279	195
Total operating expenses	3,492	3,910
Operating income	4,310	3,908
Non-operating income (expenses):		
Investment income	43	13
Payment to State	(3,500)	-
Grants and childcare subsidy expense	(2,260)	(2,993)
Total non-operating expenses	(5,717)	(2,980)
Increase (decrease) in net position	(1,407)	928
Net position, July 1, 2015	15,690	14,762
Net position, June 30, 2016	$ 14,283	$ 15,690

Net position decreased by $1,407 due substantially to the statutorily required transfer of $3,500 to the State of Connecticut general fund. This was the first of two required payments.

Revenues

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. CHEFA charges the conduit borrower for administration and upfront fees.

The fee charged is a 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.

Revenues totaled $7,802 for fiscal year 2016. Administrative fees are the largest revenue source and represent 96.1% of total revenues. General and administrative service fees for support services provided to CHESLA and CSLF totaled $205 represent 2.6% of revenues for the year. The balance comprises upfront fees for the conduit debt issued and other revenues at 1.3%.

Significant changes from the prior year for revenues are as follows:

- Administrative fees decreased by $15 to $7,498 during the year. The decrease is due to the change in the par value of loans outstanding at June 30, 2016 compared to June 30, 2015. Fees are calculated on the total par amount outstanding in any given year.

  The balance of the par value of debt outstanding at June 30, 2016 was $8,314,847 as compared to $8,412,187 at June 30, 2015.

  During the year, CHEFA has 30 issues of new conduit debt totaling $1,358,355 in par value.

- Non-operating investment income increased by $30 from the $13 recognized in fiscal year 2015. This is a result of slight interest rates increases as compared to the prior year.

Expenses

Expenses totaled $3,492 for the fiscal year. Of the expenses, 76.3% or $2,664 was for salaries and related expenses. General and administrative expenses amounted to $549, or 15.7%, while contracted services amounted to $279 or 8.0% of the total expenses.

Significant changes from the prior year are as follows:

- Salaries and related expenses decreased by $232 from fiscal year 2015 to $2,664 due to restructuring and vacant positions.
- Contracted services increased by $84 from fiscal year 2015 to $279 due to consultants retained to perform specialty research for Community Health Care facilities, as required per state mandate.
- Grant and childcare subsidy expense decreased from fiscal year 2015 by $733. The decrease was a result of the decrease in the loan amounts outstanding.

Capital Assets

At June 30, 2016, CHEFA’s capital assets amounted to $124, net of depreciation. This includes leasehold improvements, furniture and fixtures, and computer and office equipment. Capital assets decreased by $45 or 26.6% due to capital asset additions of $19, offset by depreciation of $64. Capital asset purchases during the year included $13 for computer equipment and $6 for office equipment.

Additional information on the capital assets can be found in Exhibit D (II) C.

Economic Factors

The most significant factor impacting CHEFA is the borrowing rate. In developing the 2017 budget, CHEFA is expecting a 1.8% decrease in revenues as compared to fiscal year 2016. An increase of $29 in the support fees charged to CHESLA and CSLF is also being anticipated, with CHESLA being the majority of the increase. Operating expenses were projected to decrease 7.8% as compared to fiscal year 2016. Finally, the 2017 budget also includes the second payment of $3,500 to the State of Connecticut mandate by the State Budget Act.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

Financial Analysis

For CHESLA, assets exceeded liabilities at June 30, 2016. Net position may serve over time as a useful indicator of a government's financial position. Due to the nature of operations, a significant portion of net position is subject to specific external statutory and bond resolution restrictions. The restricted net position for CHESLA at fiscal yearend was 68.3%.

A summary of the statement of net position is as follows:

Summary Statement of Net Position
(in thousands)

	CHESLA	
	2016	**2015**
Current and other assets	$ 185,137	$ 176,905
Total assets	185,137	176,905
Long-term liabilities outstanding	154,980	155,678
Other liabilities	1,197	2,887
Total liabilities	156,177	158,565
Deferred inflows of resources	1,889	-
Restricted	18,502	15,923
Unrestricted	8,569	2,417
Total net position	$ 27,071	$ 18,340

The remaining portion of net position is unrestricted and is 31.7%.

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year CHESLA's net position increased $8,731.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CHESLA	
	2016	**2015**
Operating revenues:		
Interest income on loans receivable	$ 7,576	$ 7,260
Administrative fees	1,313	1,108
Contribution from CSLF	6,000	-
Total operating revenues	14,889	8,368
Operating expenses:		
Interest expense	6,064	6,690
Salaries and related expenses	118	192
General and administrative	1,231	443
Refinance pilot program	171	-
Loan service fees	561	563
Contracted services	43	41
Bond issuance costs	888	104
Provision for loan losses	343	760
Total operating expenses	9,419	8,793
Total operating income (loss)	5,470	(425)
Nonoperating income (expenses):		
Investment income	1,261	1,148
Contribution revenue/expense	2,000	4,000
Scholarship program	-	(2,000)
Total nonoperating income (expenses)	3,261	3,148
Increase (decrease) in net position	8,731	2,723
Net position, July 1, 2015	18,340	15,617
Net position, June 30, 2016	$ 27,071	$ 18,340

Net position increased by $8,731 for the fiscal year. The increase was due substantially to $6,000 of monies contributed by CSLF to CHESLA for the refinancing program and $2,000 contributed by CSLF for the scholarship program.

Revenues

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. Revenues include administrative fees and the interest charged on the loans. The interest charged on the loans is used to pay interest expense on the bonds.

In fiscal year 2016, CHESLA disbursed $18,652 in loan dollars as compared to $15,802 in fiscal year 2015. The 2016 disbursements reflect an increase of approximately 19% over fiscal year 2015.

Significant changes from the prior year for revenues are as follows:

- Administrative fees increased by $205 to $1,313 during the year. This is due to the increase in the loan servicing fee from 30 to 50 basis points, beginning July 1, 2015.
- Contributions from CSLF totaled $8,000 as compared to $4,000 in fiscal year 2015. The current year contributions were authorized by the Board for a loan refinance program ($6,000), contribution to the CHESLA 1990 Trust ($2,000). The monies contributed for the scholarship program ($1,889), are recorded as a deferred inflow.
- Nonoperating investment income increased by $113, due to the contributions received from CSLF and a slight increase in interest rates as compared to the prior year.

Expenses

Expenses totaled $9,419 for the fiscal year. The largest expense, 64.3% or $6,064 was for interest payments on debt. This represents a decrease from 76.1% in fiscal year 2015. General and administrative expenses amounted to $1,231, or 13.1%. This is an increase from the 5.5% in the prior year. Bond issue costs totaled $888, or 9.4%, loan servicing fees totaled $561 or 6.0% and bad debts totaled $343 or 3.6% of the total expenses.

Significant changes from the prior year are as follows:

- Interest expense decreased by $626 as compared to fiscal year 2015 due to a reduction in the principal balance of outstanding debt as compared to fiscal year 2015. Although refunding bonds were issued at June 30, 2016, they did not have a current year impact on interest expense.
- Salaries and related expenses decreased by $74 due to a long-term absence of an employee.
- General and administrative expenses increased by $788 due to the recording of Trust Administration fees paid to the CHESLA Agency account. Prior year 2015 was recorded as eliminations, decreasing income from Administration Fees and decreasing General and Administrative fees for the 1990 and 2003 Trusts.
- A pilot refinance program was funded during the year by a contribution from CSLF ($6,000). $500 of the program funding was to be used for the administrative costs for the program. During fiscal year 2016, $171 was spent for this program.
- Bond issuance and insurance cost increased by $784 due to two bond issues that were issued during the year as compared to 1 in the prior year, in addition, the remaining cost of bond insurance and premium/discount, totaling $105, for prior bond issues, was fully amortized in fiscal year 2016.
- Provision for loan losses decreased by $417 due to a combination of the new methodology that was implemented in the prior year and increased loan loss recoveries.

Debt Administration

Long-term debt

The change in long-term debt for CHELSA was as follows:

Bonds Payable (in thousands)

	CHESLA	
	2016	**2015**
Revenue Bonds	$ 152,785	$ 154,090
Premiums/Discounts	2,195	1,588
Total Long-term liabilities	$ 154,980	$ 155,678

CHESLA's decrease in the principal balance outstanding was due to a net of new issuances totaling $36,465, including the refunding bonds of $21,465, offset by refunded bonds of $16,720 and scheduled principal payments of $21,050.

CHELSA maintains an "A+" rating from Fitch and an Aa3 rating from Moody's Investors Service for revenue obligation debt.

Additional information on long-term debt can be found in Exhibit D (II) D.

Economic Factors

The general economic conditions and the direction of the economy have significant impact on CHESLA. The ability of individuals to be able to repay their loans is significantly impacted by unemployment rates. Another factor is the rate at which CHESLA is able to issue bonds and provide new loans.

Connecticut Student Loan Foundation (CSLF)

Financial Analysis

For CSLF assets exceeded liabilities at June 30, 2016. Net position may serve over time as a useful indicator of a government's financial position. Due to the nature of operations, a significant portion of net position is subject to specific external statutory restrictions. The restricted net position for CSLF at fiscal year end was 30.0%.

A summary of the statement of net position is as follows:

Summary Statement of Net Position
(in thousands)

	CSLF	
	2016	**2015**
Current and other assets	$301,107	$ 347,572
Total assets	301,107	347,572
Long-term liabilities outstanding	274,090	311,226
Other liabilities	1,792	4,311
Total liabilities	275,882	315,537
Restricted	7,557	7,891
Unrestricted	17,668	24,144
Total net position	$ 25,225	$ 32,035

The remaining portion of net position is unrestricted and is 70.0%.

Statement of Changes in Net Position. The statement of changes in net position's purpose is presenting information on how the net position changed during the most recent fiscal year. For the fiscal year, CSLF’s net position decreased by $6,810.

A statement of changes in net position follows:

Statement of Changes in Net Position
(in thousands)

	CSLF	
	2016	**2015**
Operating revenues:		
Interest income on loans receivable	$ 10,749	$ 11,586
Not-for-profit servicing income	176	183
Other revenues	-	9
Total operating revenues	10,925	11,778
Operating expenses:		
Interest expense	3,974	4,256
General and administrative	295	307
Loan service fees	1,192	1,453
Consolidation rebate fees	1,797	2,013
Contracted services	517	587
Provision for loan losses	100	150
Total operating expenses	7,875	8,766

Operating income	3,050	3,012
Nonoperating income (expenses):		
Investment income	29	69
Payment to State	-	(25,000)
Contribution revenue/expense	(9,889)	(4,000)
Total nonoperating income (expenses)	(9,860)	(28,931)
Change in net position before special item	(6,810)	(25,919)
Special item	-	1,259
Increase (decrease) in net position	(6,810)	(24,660)
Net position, July 1, 2015	32,035	56,695
Net position, June 30, 2016	$ 25,225	$ 32,035

CSLF's net position decreased by $6,810 for the fiscal year. The decrease was due substantially to the contributions of $6,000 for the refinancing program, $2,000 contributed to the CHESLA 1990 Trust and $1,889 contributed by CSLF for the scholarship program. These contributions were authorized by the Board.

Revenues

CSLF currently is not actively issuing new loans. Its purpose was to improve educational opportunity by originating and acquiring student loans and providing related services. CSLF also participates in the not-for-profit servicer program.

Interest income represents the largest operating revenue component. CSLF earns interest income, interest subsidies and special allowance on student loans. Interest income for fiscal year 2016 totaled $10,749 (98.4%) compared to $11,586 for fiscal year ended June 30, 2015. 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 fiscal year ended June 30, 2016, CSLF paid $6,020 to the US Department of Education relating to excess yield compared to $7,800 paid during fiscal year 2015.

The balance of CSLF revenues is the not-for-profit service fee of $176 and 1.6% of revenues.

Significant changes from the prior year for revenues are as follows:

- Interest income on loans receivable is the largest component of operating revenues. Interest income totaled $10,749, a decrease of $837 from the prior year amount of $11,586. The decrease is due to the decrease in the loan balances and the fact that CSLF is no longer issuing new loans.
- Not-for-profit servicing income totaled $176 for the fiscal year ended 2016, a decrease of $7 as compared to fiscal year 2015. The decrease is due to the decrease in the number of loans serviced in the program.
- Nonoperating investment income decreased by $40, relating to the contribution of investable assets to the State of Connecticut and CHESLA over the past two fiscal years. The amounts paid totaled $9,889 in fiscal year 2016 and $29,000 in fiscal year 2015.

Expenses

Expenses totaled $7,875 for the fiscal year. The largest expense was for interest expense 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. Interest expense totaled $3,974 or 50.4%. Consolidation rebate fees paid to the U.S. Department of Education totaled $1,797 or 22.8% of total expenses and loan servicing fees totaled $1,192 or 15.1% of total expenses.

Nonoperating expenses of $9,889 were for Board authorized contributions to CHESLA for a loan refinancing program ($6,000), the CHESLA 1990 trust ($2,000), and a scholarship program ($1,889).

In fiscal year 2015, legislative mandates created by Public Act 14-47 required the transfer of $25,000 of CSLF's financial assets to the State of Connecticut to fund certain legislative initiatives. There were no such mandates for fiscal year 2016.

Significant changes from the prior year are as follows:

- Interest expense decreased in 2016 by $282. The decrease is due to the redemption of $37,300 in bonds, primarily at par, during the fiscal year.
- Loan service fees decreased by $261 reflecting the decrease in the number of loans serviced due to loan repayments.
- Consolidation rebate fees decreased by $216 reflecting the decrease in the principal balance of federal consolidation loans outstanding as the portfolio matures.
- Provision for loan losses decreased by $50 due to seasoning of the loan portfolio. CSLF has not disbursed new student loans since February 2010. As a result, with the maturing loan portfolio, more student loan borrowers are in active repayment status and the delinquency rates have declined.

Debt Administration

Long-term debt

The change in long-term debt for CSLF was as follows:

Bonds Payable
(in thousands)

	CSLF	
	2016	**2015**
Revenue Bonds	$ 274,800	$ 312,100
Premiums/Discounts	(710)	(874)
Total Long-term liabilities	$ 274,090	$ 311,226

CSLF's decrease in long-term debt was due to the redemption of $37,300 of bonds during the fiscal year.

CSLF maintains an AAA (senior debt) and AA (subordinate debt) rating from Standard & Poor's. Standard & Poor's has placed the Series 2004 B and 2006 B bonds on CreditWatch Positive. CSLF maintains an AAA (senior debt) and AA (subordinate debt) rating from FITCH Ratings. FITCH

Ratings has placed the Series 2006 A-1 and A-2 bonds and the Series 2004 B and 2006 B bonds on Rating Watch Negative.

Additional information on long-term debt can be found in Exhibit D (II) D.

Economic Factors

General economic conditions have a smaller impact on CSLF. Due to the guarantee by the U.S. Department of Education (generally at 98% of principal and interest), CSLF does not experience significant loan losses in an economic downturn. Loan defaults and the resulting claim payments will accelerate repayment of the loan portfolio. In addition, interest rate risk is minimized as both the loan portfolio and the outstanding bonds have variable interest rates tied to market rates.

Requests for Information

This financial report is designed to familiarize our stakeholders and customers with CHEFA's finances and to demonstrate CHEFA's fiscal accountability for its operations. Questions concerning this report, or request for additional financial information, should be directed to Connecticut Health and Educational Facilities Authority at 10 Columbus Boulevard, Hartford, Connecticut 06106-1978.

Basic Financial Statements

Connecticut Health and Educational Facilities Authority

Statement of Net Position
June 30, 2016
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Assets			
Current assets:			
Unrestricted assets:			
Cash	$ 138	$ 2,472	$ 1,334
Investments	5,272	2,621	-
Receivables (net of allowance for uncollectibles):			
Accounts	649	-	25
Related parties	27	-	-
Prepaid expenses and other assets	80	107	15
Total unrestricted assets	6,166	5,200	1,374
Restricted assets:			
Investments:			
Statutory	3,500	-	-
Institutions	318,694	-	-
Bond indenture trusts	-	40,620	11,250
	-	21,280	19,010
Interest receivable on investments	-	105	-
Loan interest receivable	-	446	4,225
Total restricted assets	322,194	62,451	34,485
Total current assets	328,360	67,651	35,859
Noncurrent assets:			
Unrestricted assets:			
Capital assets (net of accumulated depreciation)	124	-	-
Restricted assets:			
Investments	6,813	21,870	-
Loans receivable (net of allowance for uncollectibles)	-	95,616	265,248
Total noncurrent assets	6,937	117,486	265,248
Total assets	$ 335,297	$ 185,137	$ 301,107

Connecticut Health and Educational Facilities Authority

Statement of Net Position
June 30, 2016
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Liabilities			
Current liabilities			
Accounts payable	$ 45	$ 325	$ 64
Accrued expenses	101	168	67
Amounts held for institutions	318,694	-	-
Accrued interest payable	-	704	-
U.S. Department of Education payable	-	-	1,255
Trust Estate payable	-	-	406
Current portion of bonds payable	-	10,515	-
Total current liabilities	318,840	11,712	1,792
Noncurrent liabilities			
Bonds payable and related liabilities, net of current portion	-	144,465	274,090
Amount held for the State of Connecticut	2,174	-	-
Total noncurrent liabilities	2,174	144,465	274,090
Total liabilities	321,014	156,177	275,882
Deferred Inflows of Resources			
Unearned revenue	-	1,889	-
Net Position			
Net investment in capital assets	124	-	-
Restricted	8,138	18,502	7,557
Unrestricted	6,021	8,569	17,668
Total net position	14,283	27,071	25,225
Total liabilities, deferred inflows of resources and net position	$ 335,297	$ 185,137	$ 301,107

See Notes to Financial Statements.

Exhibit B

Connecticut Health and Educational Facilities Authority

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2016
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Operating revenues:			
Interest income on loans receivable	$ -	$ 7,576	$ 10,749
Administrative fees	7,498	1,313	-
General and administrative fees	205	-	-
Contribution from CSLF (refinance pilot program)	-	6,000	-
Bond issuance fees	86	-	-
Not-for-profit servicing income	-	-	176
Other revenues	13	-	-
Total operating revenues	7,802	14,889	10,925
Operating expenses:			
Interest expense	-	6,064	3,974
Salaries and related	2,664	118	-
General and administrative	549	1,231	295
Refinance pilot program	-	171	-
Loan service fees	-	561	1,192
Consolidation rebate fees	-	-	1,797
Contracted services	279	43	517
Bond issuance costs	-	888	-
Provision for loan losses	-	343	100
Total operating expenses	3,492	9,419	7,875
Operating income (loss)	4,310	5,470	3,050
Nonoperating income (expenses):			
Investment income	43	1,261	29
Payment to State (legislative mandate)	(3,500)	-	-
Grants and child care subsidy expense	(2,260)	-	-
Contribution from CSLF	-	2,000	-
Contribution to CHESLA	-	-	(9,889)
Total nonoperating income (expenses)	(5,717)	3,261	(9,860)
Increase (decrease) in net position	(1,407)	8,731	(6,810)
Net position, July 1, 2015	15,690	18,340	32,035
Net position, June 30, 2016	$ 14,283	$ 27,071	$ 25,225

See Notes to Financial Statements.

Connecticut Health and Educational Facilities Authority

Statement of Cash Flows
For the Year Ended June 30, 2016
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from operating activities:			
Cash received from loan payments	$ -	$ 21,538	$ 45,142
Interest received on loans	-	7,595	11,914
Contributions received from CSLF	-	6,000	-
Cash received for administrative fees	7,004	1,313	-
Cash received for loan recoveries	-	303	-
Cash received for general administrative fees	205	-	-
Cash received for not-for-profit servicing	-	-	176
Cash received for other revenues	13	-	-
Cash received for bond issuance fees	86	-	-
Cash payments for employee wages and benefits	(2,736)	(62)	-
Cash payments for interest on bonds	-	(5,978)	(3,974)
Cash payments for loans issued	-	(18,692)	-
Cash payments for loan servicing fees	-	(561)	(1,192)
Cash payments for consolidation fees	-	-	(1,797)
Cash payments for contracted services	(279)	(43)	(517)
Cash payments for refinance pilot program	-	(171)	-
Cash payments for other operating expenses	(2,595)	(2,690)	(795)
Net cash provided by (used in) operating activities	1,698	8,552	48,957
Cash flows from noncapital financing activities:			
Proceeds from bond sales	1,122,995	36,465	-
Proceeds from bond premiums	54,059	611	-
Proceeds from institutions	2,123	-	-
Proceeds from investment income for amounts held for others	426	-	-
Contributions from CSLF	-	3,889	-
Releases from amounts held for institutions	(1,181,024)	-	-
Cash paid to State (legislative mandate)	(3,500)	-	-
Cash paid to grantees and childcare subsidy	(2,260)	-	-
Payments for amount held on behalf of child care	(8)	-	-
Payments of scholarships	-	(1,886)	-
Payments of bond principal	-	(21,050)	(37,300)
Payment to refunded bond escrow agent	-	(16,720)	-
Bond issuance costs	-	(727)	
Payment of discount on bonds issued	-	(28)	-
Contributions to CHESLA	-	-	(11,889)
Net cash provided by (used in) noncapital financing activities	(7,189)	554	(49,189)
Cash flows from investing activities:			
Proceeds from sale of investments	13,743	26,587	572
Purchase of investments	(8,579)	(35,557)	-
Investment income	43	2,288	29
Net cash provided by (used in) investing activities	5,207	(6,682)	601

Connecticut Health and Educational Facilities Authority

Statement of Cash Flows
For the Year Ended June 30, 2016
(In Thousands)

	Primary Government	Component Units	
	CHEFA	CHESLA	CSLF
Cash flows from capital and related financing activities:			
Purchase of capital assets	$ (19)	$ -	$ -
Net increase (decrease) in cash	(303)	2,424	369
Cash (including restricted cash), July 1, 2015	441	48	965
Cash (including restricted cash), June 30, 2016	$ 138	$ 2,472	$ 1,334
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 4,310	$ 5,470	$ 3,050
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	64	-	-
Provision for loan losses	-	646	100
(Increase) decrease in:			
Accounts receivable	(494)	-	(25)
Accounts receivable - related party	(27)	2,000	-
Loans receivable	-	2,200	45,167
Prepaid expense and other assets	(6)	(93)	19
Loan interest receivable	-	19	1,165
Increase (decrease) in:			
Accounts payable	(332)	(1,748)	(586)
Accrued expenses	(1,817)	168	67
Accrued interest payable	-	(110)	-
Net adjustments to operating income (loss)	(2,612)	3,082	45,907
Net cash provided by (used in) operating activities	1,698	$ 8,552	$ 48,957

See Notes to Financial Statements.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

History and organization

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 nor CHEFA is obligated for such debt (except for loans or bonds issued under the Child Care Facilities Loan Program, as discussed in Note II.F, 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).

Reporting Entity

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 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 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 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.

Public Act No. 14-217 statutorily consolidated Connecticut Student Loan Foundation (CSLF) with CHEFA by making CSLF a subsidiary of CHEFA. As a subsidiary of CHEFA, CSLF 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 Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

Reporting Entity
CSLF was originally established as 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. CSLF no longer originates or acquires student loans but continues to provide appropriate services incident to the administration of programs, which are established to improve educational opportunities.

CSLF has 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.

I. Summary of significant accounting policies

A. Financial statements

The financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in fund net position) report information on all of the Authority's activities. The Authority relies to a significant extent on fees and charges for support.

As required by accounting principles generally accepted in the United States of America (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 GAAP, the financial statements 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.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with GAAP, transactions between a primary government and discretely present component units are not eliminated from the financial statements. The fees charged by CHEFA to CHESLA and CSLF for administrative support and transfers of funds between entities are recorded in the same manner as unrelated entity transactions.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

I. Summary of significant accounting policies

B. Measurement focus, basis of accounting and financial statement presentation

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for administrative fees and interest on loan repayments. Operating expenses for the Authority include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 50 to 100 basis points and have been eliminated at the component unit level.

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 is included in interest income on loans receivable on the statement of revenues, expenses and changes in fund 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. Loans are currently considered nonperforming by management when the borrower has not made payments for the most recent 120 days. For CSLF, the accrual of interest income generally is discontinued when a claim is paid on a FFEL Program loan, or for alternative loans, when a loan is delinquent for 120 days.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

I. Summary of significant accounting policies

B. Measurement focus, basis of accounting and financial statement presentation

Nonoperating activity
Activities not related to CHEFA's primary purpose are considered nonoperating. 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 nonoperating expenses relate to contributions to CHESLA as authorized by the Board of Directors.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, liabilities, deferred inflows of resources and net position

1. Deposits and investments

Deposits - The Authority's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The eligible investments are governed by each entity's enabling legislation (Connecticut Statutes) as follows:

CHEFA
In general, State of Connecticut Statutes allows CHEFA to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service.

CHESLA
In general, State of Connecticut Statutes allows CHESLA to invest in (1) direct obligations of the United States or the State of Connecticut, (2) obligations as to which the timely payment of principal and interest is fully guaranteed by the United States or the State of Connecticut, and Connecticut Short-Term Investment Fund,

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

I. Summary of significant accounting policies
C. Assets, liabilities, deferred inflows of resources and net position

CHESLA

(3) obligations of the United States Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, General Services Administration, United States Maritime Administration, United States Department of Housing and Urban Development, Farm Credit System, Resolution Funding Corporation, federal intermediate credit banks, federal banks for cooperatives, federal land bank, federal home loan banks, Federal National Mortgage Association, Government National Mortgage Association and the Student Loan Marketing Association, (4) certificates of deposit or time deposits constituting direct obligations of any bank in the state, provided that investments may be made only in those certificates of deposit or time deposits in banks which are insured by the Federal Deposit Insurance Corporation if then in existence, (5) withdrawable capital accounts or deposits of federal chartered savings and loan associations which are insured by the Federal Savings and Loan Insurance Corporation, (6) other obligations which are legal investments for savings banks in the state, (7) investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner or 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 Banking Commissioner, or investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States, and (8) securities or obligations which are legal investments for savings banks in Connecticut, subject to repurchase agreements in the manner in which such agreements are negotiated in sales of securities in the marketplace, provided CHESLA 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, as prepared by the Federal Reserve Bank of New York, effective at the time of the agreement. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of CHESLA, the funds so invested will be required for expenditure. The express judgment of CHESLA as to the time when any funds shall be required for expenditure or be redeemable is final and conclusive.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

I. Summary of significant accounting policies
C. Assets, liabilities, deferred inflows of resources and net position

CSLF

In general, State of Connecticut Statutes allows CSLF to invest in the Connecticut Short-Term Investment Fund and in such other investments and investment agreements as may be approved by resolution of the issuer. In connection with, or incidental to, the issuance or carrying of bonds, notes or other obligations, or acquisition or carrying of any investment or program of investment, the corporation may enter into any contract with any financial institution having a rating of at least "A", or into any contract secured by security so rated, which the issuer determines to be necessary or appropriate to place the obligation or investment of the issuer, as represented by the bonds, notes or other obligations, investment or program of investment and the contract or contracts, in whole or in part, on the interest rate cash flow or other basis desired by the issuer.

Investment policies

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.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

Concentrations of credit risk

CHEFA, for unrestricted investments, places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the Connecticut 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 investments.

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.

Investment income is recorded in the fund in which it was earned.

Method used to value investments

Investments for the Authority are reported at fair value. Connecticut Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27a - 3-27c. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The Authority presents all investments at fair value, except for non-participating investment contracts, which are recorded at cost.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

2. Fees and loan receivables

All receivables are shown net of an allowance for uncollectibles. The allowance is based upon a review of the outstanding receivables and past collection history.

a. Loans receivable and allowance for loan losses

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: The 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 alternative loans, periodic monitoring of loan performance has been established to ensure the adequacy of the reserve allowance. Loans are typically written off against the allowance for loan losses (net of recoveries) at 120 days delinquent.

Connecticut Health and Educational Facilities Authority
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I. Summary of significant accounting policies
C. Assets, liabilities, deferred inflows of resources and net position

b. Nonperforming loans
CHESLA currently defines nonperforming loans as defaulted loans in collections, whereby no payment has been made for 120 days, but have not been written off.

3. 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.

The interest earned on restricted assets held for institutions is not reflected in the statements of revenues, expenses and changes in fund net position, as such income accrues to the benefit of the institutions.

The restricted investments classified as noncurrent include funds held by CHEFA as a result of its partnership with the State of Connecticut Department of Education (SDE), the Office of the State Treasurer, and banking institutions to provide childcare providers with access to financing under the following loan programs: the Tax-Exempt Pooled Bond Issue Program, the Guaranteed Loan Fund Program and the Small Revolving Direct Loan Program.

The State of Connecticut Department of Social Services (DSS) 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.

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C. Assets, liabilities, deferred inflows of resources and net position

The DSS contributions to the Guaranteed Loan Fund Program and the Small Revolving Direct Loan Program, net of payouts and accrued expense, along with the amount of CHEFA's support to the Guaranteed Loan Fund Program, are recorded within restricted investments.

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.

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. In accordance with the bond resolutions, each bond issue has separate accounts 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.

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.

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.

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 noncurrent include funds held by CHESLA pursuant to the bond resolutions in individual Special Capital Reserve Funds.

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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 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, 2016, the State has not made nor was it required to make any such deposit.

CSLF's restricted assets include the Trust Estate 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 recordkeeping 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.

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4. Capital assets

Capital assets, which include property, plant and equipment, are reported in the fund financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $500 for all assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Leasehold improvements	5 years
Computer equipment	3-5 years
Furniture and fixtures	10 years
Office equipment	3-6 years

5. Amounts held for institutions

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

6. 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.

7. 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.

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C. Assets, liabilities, deferred inflows of resources and net position

8. Compensated absences

Employees of the Authority earn sick leave, which can accumulate, and vacation leave based on the provisions of personnel policies. Vacation leave vests with the employee and is payable upon termination of employment.

9. Long-term obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

10. Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports a deferred inflow of resources related to unearned amounts received for the scholarship program that occurs in the subsequent fiscal year.

11. Net position flow assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

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I. Summary of significant accounting policies

C. Assets, liabilities, deferred inflows of resources and net position

12. Fund equity and net position

In the fund financial statements, net position is classified into the following categories:

Net Investment in Capital Assets
This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes is excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Authority, which is not restricted.

13. Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues and expenses during the fiscal year. Accordingly, actual results could differ from those estimates.

14. Comparative data/reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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II. Detailed notes

A. Cash and investments

Deposits - Custodial Credit Risk - Custodial credit risk is risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

CHEFA

As of June 30, 2016, $205 of CHEFA's bank balance of $455 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 159
Uninsured and collateral held by the pledging bank's trust department, not in CHEFA's name	46
Total amount subject to custodial credit risk	$ 205

CHESLA

As of June 30, 2016, $2,295 of CHESLA's bank balance of $2,734 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 2,040
Uninsured and collateral held by the pledging bank's trust department, not in CHESLA's name	255
Total amount subject to custodial credit risk	$ 2,295

CSLF

As of June 30, 2016, $1,085 of CSLF's bank balance of $1,335 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 951
Uninsured and collateral held by the pledging bank's trust department, not in CSLF's name	134
Total amount subject to custodial credit risk	$ 1,085

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A. Cash and investments

Financial instruments that potentially subject the Authority to significant concentrations of credit risk consist primarily of cash. From time to time, the Authority's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Authority reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

CHEFA's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Mutual Funds:					
Government Agency Funds	$ 215,430	$ 215,430	$ -	$ -	$ -
Short-Term U.S. Government Securities	27,494	27,494	-	-	-
Short-Term U.S. Government Agency Securities	35,828	35,828	-	-	-
Pooled Fixed Income	11,340	11,340	-	-	-
U.S. Government Securities	20,705	5,591	15,114	-	-
Municipal Bonds	23,482	18,385	4,344	308	445
Total	$ 334,279	$ 314,068	$ 19,458	$ 308	$ 445

CHESLA's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

		Investment Maturities (In Years)			
Type of Investment	Fair Value	Less Than 1	1-5 Years	5-10 Years	Over 10
Money Market (bank)	$ 189	$ 189	$ -	$ -	$ -
Mutual Funds:					
Bond Funds	2	-	-	-	2
Money Market	15,475	15,475	-	-	-
Pooled Fixed Income	34,436	34,436	-	-	-
U.S. Government Securities	7,658	-	-	-	7,658
Guaranteed Investment Contracts	7,351	-	1,034	6,317	-
Total	$ 65,111	$ 50,100	$ 1,034	$ 6,317	$ 7,660

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A. Cash and investments

CSLF's investments (including restricted investments) consisted of the following types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Investment Maturities (In Years) Less Than 1
Short-Term U.S. Government Agency Securities	$ 9,181	$ 9,181
Pooled Fixed Income	2,069	2,069
Total	$ 11,250	$ 11,250

Fair value of investments

CHEFA measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

CHEFA had the following recurring fair value measurements:

CHEFA

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Government Agency Mutual Funds	$ 215,430	$ 215,430	$ -	$ -
Short-Term U.S. Government Securities	27,494	27,494	-	-
U.S. Government Securities	20,705	-	20,705	-
Short-Term U.S. Government Agency Securities	35,828	-	35,828	-
Municipal Bonds	23,482	-	23,482	-
Total investments by fair value level	322,939	$ 242,924	$ 80,015	$ -
Other Investments				
Pooled Fixed Income	11,340			
Total Investments	$ 334,279			

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II. Detailed notes

A. Cash and investments

CHESLA

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Money Market Mutual Funds	$ 15,475	$ 15,475	$ -	$ -
Bond Mutual Funds	2	2	-	-
U.S. Government Securities	7,658	-	7,658	-
Total investments by fair value level	23,135	$ 15,477	$ 7,658	$ -
Other Investments				
Money Market (bank)	189			
Guaranteed Investment Contracts	7,351			
Pooled Fixed Income	34,436			
Total other investments	41,976			
Total Investments	$ 65,111			

CSLF

Investments by fair value level	Amount	Level 1	Level 2	Level 3
Short-Term U.S. Government Agency Securities	$ 9,181	$ 9,181	$ -	$ -
Other Investments				
Pooled Fixed Income	2,069			
Total Investments	$ 11,250			

Securities classified in Level 1 are valued using prices quoted in active markets for those securities. Securities classified in Level 2 are valued using the following approaches:

- U.S. government securities, short-term U.S. government agency securities, and municipal bonds: quoted prices for identical securities in markets that are not active

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A. Cash and investments

Interest rate risk

To minimize interest rate risk, CHEFA, CHESLA and CLSF's policy requires the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds should primarily be invested in shorter-term securities, money market mutual funds or similar investment pools.

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 Connecticut Short-Term Investment Fund 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.

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A. Cash and investments

CSLF's policy states that 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.

CHEFA's investments subject to credit risk had average ratings by Standard & Poor's as follows:

	Average Rating	Pooled Fixed Income	Municipal Bonds	Short-Term U.S. Government Agency Securities	Government Agency Mutual Funds
	AAA	$ 11,340	$ 12,226	$ 35,828	$ 215,430
	AA	-	11,256	-	-
TOTAL		$ 11,340	$ 23,482	$ 35,828	$ 215,430

CHESLA's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Guaranteed Investment Contracts	Bond Mutual Funds	Money Market Mutual Funds
AAA	$ 34,436	$ 7,351	$ 2	$ 15,475

CSLF's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Short-Term U.S. Government Agency Securities
AAA	$ 2,069	$ 9,181

Custodial credit risk - custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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II. Detailed notes

A. Cash and investments

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to $500,000, including $250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The following investments are held by the counterparty's trust department or agent but not in the entity's name and, therefore, are subject to custodial credit risk as follows:

CHEFA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Securities	$ 48,199	$ -	$ 48,199
Short-Term U.S. Government Agency Securities	35,828	500	35,328
Municipal Bonds	23,482	500	22,982
Total	$ 107,509	$ 1,000	$ 106,509

CHESLA

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
U.S. Government Securities	$ 7,658	$ 500	$ 7,158

CSLF

	Total	Less Insured Amounts	Amount Subject To Custodial Credit Risk
Short-Term U.S. Government Agency Securities	$ 9,181	$ 500	$ 8,681

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II. Detailed notes

A. Cash and investments

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 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 investments. CHEFA places no limit on the amount of investment in any one issuer for restricted investments.

B. Receivables

Receivables as of June 30, 2016 for the Authority's financial statements by type are as follows:

CHESLA makes loans to students from the proceeds of bonds issued by CHESLA. Loans receivable as of June 30, 2016 are as follows:

	Active Loans	Loans in Collection	Total
Current portion	$ 21,280	$ -	$ 21,280
Long-term portion	95,854	2,428	98,282
Less Allowance	(2,151)	(515)	(2,666)
Net Long-term portion	93,703	1,913	95,616
Total Net Receivables	$ 114,983	$ 1,913	$ 116,896

During the fiscal year, CHESLA wrote off loans receivable of $646 which had previously been provided for through the allowance for loan losses.

During the fiscal year, CHESLA recovered $177 in loans receivable and other credits that were written off in previous years.

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II. Detailed notes

B. Receivables

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

	FFELP	Alternative	Total
Current portion	$ 18,615	$ 395	$ 19,010
Long-term portion	260,148	6,222	266,370
Less Allowance	(641)	(481)	(1,122)
Net Long-term portion	259,507	5,741	265,248
Total Net Receivables	$ 278,122	$ 6,136	$ 284,258

During the fiscal year, CSLF wrote off Federal loans receivable of $228 (CSLF risk share only), and $85 of private loans, which is net $93 in recoveries, which had previously been provided for through the allowance for loan losses.

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 borrower's credit score. Interest rates range between prime and prime plus 4% with no cap and the reserve fee ranged from 2% to 6%. Interest rates on all Alternative loans are reset quarterly and origination fees, where applicable, were 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.

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II. Detailed notes

B. Receivables

CSLF Loan portfolio assets' scheduled maturities are summarized as follows:

June 30, 2017	$	19,010
2018		20,205
2019		21,434
2020		22,738
2021		24,123
2022-2026		122,167
2027-2031		55,703
Total	$	285,380

C. Capital assets

CHEFA capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July, 1 2015	Increases	Decreases	Balance June 30, 2016
Capital assets being depreciated:				
Leasehold improvements	$ 154	$ -	$ -	$ 154
Computer equipment	657	13	-	670
Furniture and fixtures	276	-	-	276
Office equipment	578	6	-	584
Total capital assets being depreciated	1,665	19	-	1,684
Less accumulated depreciation for:				
Leasehold improvements	150	2	-	152
Computer equipment	632	17	-	649
Furniture and fixtures	252	6	-	258
Office equipment	462	39	-	501
Total accumulated depreciation	1,496	64	-	1,560
Total capital assets being depreciated, net	$ 169	$ (45)	$ -	$ 124

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II. Detailed notes
D. Changes in long-term obligations
1. Summary of changes

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

CHESLA

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2015	Additions	Deductions	Amount Refunded	Balance June 30, 2016	Current Portion
Bond 2003 A	$ 18,000	11/15/2004	11/15/2020	1.7 - 4.5%	$ 4,780	$ -	$ -	$ 4,780	$ -	$ -
Bond 2003 B	12,915	11/15/2004	11/15/2017	2.0 - 5.0%	2,875	-	-	2,875	-	-
Bond 2005 A	31,455	11/15/2005	11/15/2021	2.5 - 4.375%	9,065	-	-	9,065	-	-
Bond 2006 A	33,270	8/17/2006	11/15/2022	3.9 - 4.8%	9,900	-	2,740	-	7,160	1,150
Bond 2007 A	41,000	8/23/2007	11/15/2024	4.125 - 4.875%	20,700	-	4,360	-	16,340	2,405
Bond 2009 A	30,000	8/6/2009	11/15/2027	1.9 - 5.05%	19,120	-	3,050	-	16,070	1,135
Bond 2010 A	45,000	10/19/2010	11/15/2035	2.0 - 5.25%	36,140	-	3,445	-	32,695	2,310
Bond 2012 A	13,085	3/28/2012	11/15/2021	.4 - 3.125%	4,830	-	2,160	-	2,670	1,220
Bond 2013 A	25,000	4/2/2013	11/15/2029	2.0 - 4.0%	23,680	-	2,315	-	21,365	475
Bond 2014 A	23,000	6/18/2014	11/15/2030	3.0 - 5.0%	23,000	-	495	-	22,505	500
Bond 2015 A	21,465	7/2/2015	11/15/2031	1.65 - 4.375%	-	21,465	2,485	-	18,980	1,320
Bond 2016 A	15,000	6/30/2016	11/15/2033	3.0 - 5.0%	-	15,000	-	-	15,000	-
Total CHESLA					154,090	36,465	21,050	16,720	152,785	10,515
Premiums					2,542	611	154	-	2,999	-
Discounts					(954)	(28)	(178)	-	(804)	-
Total bonds and related amounts					$ 155,678	$ 37,048	$ 21,026	$ 16,720	$ 154,980	$ 10,515

CSLF

Description	Original Amount	Date of Issue	Date of Maturity	Variable Interest Rate	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Current Portion
Bond 04 A-1	$ 75,000	10/15/2004	6/1/2034	0.021% - 1.627%	$ 9,800	$ -	$ 9,800	$ -	$ -
Bond 04 A-3	75,000	10/15/2004	6/1/2034	0.051% - 1.932%	70,575	-	27,500	43,075	-
Bond 06 A-1	80,000	7/27/2006	6/1/2046	0.000% - 1.934%	72,925	-	-	72,925	-
Bond 06 A-2	100,000	12/14/2006	6/1/2046	0.000%- 1.933%	81,475	-	-	81,475	-
Bond 04 B	62,900	10/15/2004	6/1/2034	0.290% - 1.904%	57,350	-	-	57,350	-
Bond 06 B	20,000	7/27/2006	6/1/2046	0.284% - 1.928%	19,975	-	-	19,975	-
Total Bonds					312,100	-	37,300	274,800	-
Discounts					(874)	-	(164)	(710)	-
Total bonds and related amounts					$ 311,226	$ -	$ 37,136	$ 274,090	$ -

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II. Detailed notes

D. Changes in long-term obligations

The annual requirements to amortize bonds payable at June 30, 2016, are as follows:

CHESLA

Fiscal Year Ended	Principal	Interest
2017	$ 10,515	$ 2,969
2018	11,510	5,680
2019	12,250	5,251
2020	12,350	4,771
2021	12,380	4,311
2022-2026	55,875	13,939
2027-2031	32,530	4,346
2032-2036	5,375	541
Total	$ 152,785	$ 41,808

CSLF

The approximate future annual principal and interest payments are due as follows:

Fiscal Year Ended	Principal	Interest
2017	$ -	$ 3,801
2018	-	3,801
2019	-	3,801
2020	-	3,801
2021	-	3,801
2022-2026	-	19,002
2027-2031	-	19,002
2032-2036	100,425	16,238
2037-2041	-	12,092
2042-2046	174,375	12,092
Total	$ 274,800	$ 97,431

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, 2016 year-end ranged from 0.051% to 1.934%.

Connecticut Health and Educational Facilities Authority
(A Component Unit of the State of Connecticut)

Notes to Financial Statements
June 30, 2016
(in thousands)

II. Detailed notes

D. Changes in long-term obligations

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 bondholders prior to the auction.

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

2. Conduit debt

As of June 30, 2016, CHEFA had total outstanding principal balances of special obligation bonds of $8,314,847. 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 statement of net position. The significant loan programs that comprise the total outstanding bonds are as follows:

Bonds Outstanding by Sector	
Assisted Living Facilities	$ 15,295
Charter Schools	4,948
Child Care Facilities	55,960
Continuing Care Retirement Community	199,281
Cultural / Educational	11,650
Family Services	8,881
Higher Education	4,565,003
Hospitals	2,735,653
Human Services	8,865
Independent Living	12,000
Independent Schools	630,805
Nursing Homes	36,441
YMCA / YWCA	30,065
Total	$ 8,314,847

Under terms of the agreement between the Authority and its borrowers, any costs associated with litigation related to bond issuance are the obligations of the borrowers. CHEFA is indemnified under the terms of the bond agreements

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(in thousands)

II. Detailed notes

D. Changes in long-term obligations

3. Current year advance refunding

In July 2015, CHESLA issued $21,465 of revenue refunding bonds with an interest rate of 1.65% to 4.375%. These refunding bonds were issued to advance and defease bonds issued in November 2004 and November 2005. The refunding resulted in an economic gain of $644 with a total savings of $7,189.

4. Authorized/unissued debt

At June 30, 2016, the amount of authorized unissued debt for CHESLA was $6,535.

E. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled $3,818 for CHEFA.

F. Net position classification

A summary of the components of net position is as follows:

	CHEFA	CHESLA	CSLF
Invested in capital assets	$ 124	$ -	$ -
Restricted:			
Child care facilities loan program	4,320	-	-
State budget Act 15-244	3,500	-	-
Student loan guarantee program	318	-	-
Bond funds	-	18,502	-
Trust Estate	-	-	7,557
Total restricted	8,138	18,502	7,557
Unrestricted	6,021	8,569	17,668
Total net position	$ 14,283	$ 27,071	$ 25,225

Child Care Facilities Loan Program - CHEFA's net position is restricted to be used for loan guarantees under this program, if borrowers default on their loans. As of June 30, 2016, outstanding loan balances totaled $6,933.

CHEFA is under no obligation to provide additional funds for loan guarantees.

Connecticut Health and Educational Facilities Authority
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(in thousands)

II. Detailed notes

F. Net position classification

Student Loan Programs - 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 current amount of the guarantee is $318.

State Budget Act - Public Act 15-244 requires CHEFA to transfer to the State of Connecticut general fund $3,500 during fiscal year 2017.

Trust Estate - 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, 2016, the ratio was 108.31%. At June 30, 2016, the Board has not authorized any funds to be transferred to operations; however, the amount available to transfer is $17,552.

Both CHEFA and CHESLA Board of Director's have designated internal amounts for operations and the remainder for programs that are part of each entity's mission and purpose, as well as for contingencies.

III. Other information

A. Risk management

The Authority is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disaster; and officer and director liability. The Authority generally obtains commercial insurance for these risks. The Authority has not had any claims against their commercial insurance in any of the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

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June 30, 2016
(in thousands)

III. Other information

B. Related party transactions

During the fiscal year, CHEFA charged CHESLA an annual fee of $155 for providing management, accounting, legal and other services, sharing of rental space, and office equipment. CHEFA charged CLSF an annual fee of $50 for providing management, accounting, legal and other services. In addition, CHESLA and CSLF reimbursed CHEFA directly for specific general and administrative expenses incurred. The amount due from CSLF at year end was $27. CSLF contributed $9,889 to CHESLA which included $6,000 for the Refinance Pilot Program, $2,000 equity contribution to the CHESLA 1990 Trust, and $1,889 to CHESLA for scholarships.

C. Operating leases

CHEFA leases office space and other office equipment for use in operations. Lease expense was $243. As of June 30, 2016, minimum future rental commitments of the leases are as follows:

2017	$ 239,766
2018	244,080
2019	123,444

D. Pension plan

The Authority administers a single employer defined contribution plan, which covers certain employees of the Authority. The Board of Director's approved and adopted this plan on January 1, 1971, and they have the authority to make any subsequent amendments.

CHEFA maintains a defined contribution money purchase plan (the Plan) covering all employees with three months of continuous service and 1,000 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 10% of each qualified employee's annual salary. For the year ended June 30, 2016, retirement plan expense was $221.

There were 23 employees covered under the Plan. All employees can participate in the Plan after three months of service. A participant's employer contribution account fully vests after four years of service. At age 65, participants are entitled to begin receiving benefits based upon the option selected.

Supplemental Schedules

Connecticut Higher Education Supplemental Loan Authority

Combining Schedule of Net Position
June 30, 2016
(In Thousands)

	Agency operating fund	Non-bond fund	Bond funds 1990 resolution	Bond funds 2003 resolution	Total CHESLA
Assets					
Current assets:					
Unrestricted assets:					
Cash	$ 472	$ 2,000	$ -	$ -	$ 2,472
Investments	2,593	-	20	8	2,621
Prepaid expenses and other assets	66	-	-	41	107
Total unrestricted assets	3,131	2,000	20	49	5,200
Restricted assets:					
Bond indenture trusts	-	5,503	31,571	3,546	40,620
Current portion of loans receivable	-	-	17,620	3,660	21,280
Interest receivable on investments	-	4	61	40	105
Loan interest receivable	-	-	370	76	446
Total restricted assets	-	5,507	49,622	7,322	62,451
Total current assets	3,131	7,507	49,642	7,371	67,651
Noncurrent assets:					
Restricted assets:					
Restricted investments	-	-	16,570	5,300	21,870
Loans receivable, net of current portion	-	-	79,117	16,499	95,616
Total noncurrent assets	-	-	95,687	21,799	117,486
Total assets	$ 3,131	$ 7,507	$ 145,329	$ 29,170	$ 185,137
Liabilities					
Current liabilities:					
Accounts payable	$ 56	$ -	$ 246	$ 23	$ 325
Accrued expenses	10	114	44	-	168
Accrued interest payable	-	-	561	143	704
Current portion of bonds payable	-	-	6,960	3,555	10,515
Total current liabilities	66	114	7,811	3,721	11,712
Noncurrent liabilities:					
Bonds payable, net of current portion	-	-	124,744	19,721	144,465
Total liabilities	66	114	132,555	23,442	156,177
Deferred Inflows of Resources					
Unearned revenue	-	1,889	-	-	1,889
Net position:					
Restricted	-	-	12,774	5,728	18,502
Unrestricted	3,065	5,504	-	-	8,569
Total net position	3,065	5,504	12,774	5,728	27,071
Total liabilities, deferred inflows of resources and net position	$ 3,131	$ 7,507	$ 145,329	$ 29,170	$ 185,137

Connecticut Higher Education Supplemental Loan Authority

Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016
(In Thousands)

	Agency operating fund	Non-bond fund	Bond funds 1990 resolution	Bond funds 2003 resolution	Total CHESLA
Operating revenues:					
Interest income on loans receivable	$ -	$ -	$ 6,005	$ 1,571	$ 7,576
Administrative fees	758	-	555	-	1,313
Contributions from CSLF	500	5,500		-	6,000
Total operating revenues	1,258	5,500	6,560	1,571	14,889
Operating expenses					
Interest expense	-	-	4,704	1,360	6,064
Salaries and related expenses	118	-	-	-	118
General and administrative	272	2	736	221	1,231
Refinance pilot program	171	-	-	-	171
Loan service fees	-	-	492	69	561
Contracted services	43	-	-	-	43
Bond issuance and insurance costs	13	-	716	11	740
Other expenses	-	-	148	-	148
Provision for loan losses (net of recoveries)	-	-	444	(101)	343
Total operating expenses	617	2	7,240	1,560	9,419
Operating income (loss)	641	5,498	(680)	11	5,470
Nonoperating income (expenses):					
Investment income	7	6	951	297	1,261
Contribution from CSLF	-		2,000	-	2,000
Total nonoperating income (expenses)	7	6	2,951	297	3,261
Increase in net position	648	5,504	2,271	308	8,731
Net position, July 1, 2015	2,417	-	10,503	5,420	18,340
Net position, June 30, 2016	$ 3,065	$ 5,504	$ 12,774	$ 5,728	$ 27,071

Compliance

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*

Board of Directors
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 Connecticut Health and Educational Facilities Authority, which comprise the statement of net position as of June 30, 2016, and the related statement of revenues, expenses and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Connecticut Health and Educational Facilities Authority's basic financial statements and have issued our report thereon dated September 22, 2016.

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 opinion 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Connecticut Health and Educational Facilities Authority's financial statements are free from 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 *Governmental Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Hartford, Connecticut
September 22, 2016

Connecticut Student Loan Foundation
Affirmative Action Policy and Agency Workforce
Fiscal Year ending June 30, 2016

Connecticut Student Loan Foundation has no employees.

Connecticut Student Loan Foundation
Planned Activities
For the Fiscal Year ending June 30, 2017

CSLF continues to support students' education. During the fiscal year ending June 30, 2016, $2 million was deposited in the CHESLA 1990 Trust in order to support the financing of student loans, $2 million was deposited to the CHESLA Scholarship program and $6 million was deposited to launch the CHESLA Refi CT loan refinancing pilot program.

In order to fulfill the requirements of the Connecticut General Statutes regarding planned activities for FY 2017, the CSLF Board adopted a consolidated budget projecting $9.2 million in Revenues and $6.9 million in Operating Expenses resulting in a $2.2 million Change in Net Position. In addition, the Board budgeted for additional potential transfers to CHESLA to support financial assistance for students in the amount of $2 million, resulting in a $248 thousand Change in Net Position for the fiscal year.

Connecticut Student Loan Foundation

Consolidated Budget
Fiscal Year ending June 30, 2017

INCOME	
TOTAL LOAN INTEREST INCOME	8,776,635
LATE FEE INCOME	245,958
NOT FOR PROFIT SERVICING INCOME	178,499
INTEREST INCOME -TRUST	23,453
TOTAL INCOME	9,224,545
EXPENSES	
CONSOLIDATION FEES (PAID TO U.S. DOE)	1,663,082
DEBT ADMINISTRATION COST	183,143
BOND DISCOUNT AMORTIZATION	136,216
INTEREST BOND	3,280,048
SERVICING FEE EXPENSE	1,102,270
PROFESSIONAL CONSULTANTS	408,000
LEGAL FEES	6,000
EXTERNAL AUDITOR	39,125
FINANCIAL ADVISOR	50,000
CHEFA ADMINISTRATION EXPENSE	53,481
OTHER OPERATING EXPENSES	6,600
BAD DEBT EXPENSE	-
PRIVATE LOAN COLLECTION EXPENSE	18,000
INSURANCE EXPENSE	27,931
TOTAL EXPENSES	6,973,896
CHANGE IN NET POSITION BEFORE EXTRAORDINARY	**2,250,649**
CHESLA SCHOLARSHIPS	(2,000,000)
CHANGE IN NET POSITION	$250,649