

CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

September 28, 2015

His Excellency, Dannel P. Malloy
Governor
State of Connecticut
State Capitol
Hartford, CT 06106

Dear Governor Malloy:

Pursuant to Chapter 187b of the Connecticut General Statutes, Section 10a-240, I am submitting the Connecticut Higher Education Supplemental Loan Authority's Annual Report for the Fiscal Year Ended June 30, 2015.

Sincerely,



Jeanette W. Weldon
Executive Director

cc: Robert M. Ward
John C. Geragosian
Auditors of Public Accounts (2 copies)

Program Review and Investigations Committee (2 copies)
Education Committee (2 copies)
Finance, Revenue and Bonding Committee (2 copies)
Higher Education and Employment Advancement Committee (2 copies)
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Annual Report

Fiscal Year Ended June 30, 2015

www.chesla.org

10 Columbus Boulevard
Hartford, CT 06106
860-520-4001

Helping Students and their Families Invest in the Future.



www.chesla.org

Connecticut Higher Education Supplemental Loan Authority
10 Columbus Boulevard, 7th Floor, Hartford, Connecticut 06106
(860) 520-4001 Outside CT • (800) 252-3357 in CT • FAX (860) 520-4004

Message from the Executive Director:

FY 2015 was a significant year for the Connecticut Higher Education Supplemental Loan Authority (CHESLA). With the sale of our 2015 Series A bonds, CHESLA was able to offer a loan rate of 4.95%, the lowest in our history. We believe that this low rate will help make a college education affordable for more Connecticut students. We also realize that helping more Connecticut students means not only offering a low loan rate, but also making our loans more accessible. To that end, we revised one of our key lending criteria, the debt-to-income ratio, so that more students can qualify for a CHESLA loan.

CHESLA also embarked on a new initiative this year, the CHESLA Need-Based Scholarship Program. Our goal is to provide need-based scholarships to Connecticut residents seeking undergraduate degrees from Connecticut state or non-profit institutions of higher education. We started the program with \$2 million, with allocations ranging from \$25,000 to \$88,500 made to schools based on their enrollment. Each school can award scholarships to students based on CHESLA criteria up to a maximum of \$3,000 per student. We believe that this program is helping ease the financial burden for students in the 2015-2016 academic year and we hope to make this program available annually.

In the spring and with the support of the Governor, the Connecticut General Assembly passed Public Act No. 15-200, An Act Concerning the Duties and Authority of the Connecticut Higher Education Supplemental Loan Authority. This Act gives CHESLA the ability to make loans that can refinance existing student loans, so that borrowers can lower their loan rate and make their loan payments more affordable. We appreciate the Governor's and the legislature's support and look forward to launching this new product in 2016.

I want to close by thanking the CHESLA Board of Directors for their dedication and hard work. Their time and energy were critical to our success this year and their commitment to the organization and to Connecticut students is greatly appreciated.

Jeanette W. Weldon
Executive Director
September, 2015

Overview and Governance

CHESLA was established by Public Act No. 82-313, codified as Chapter 187B of the General Statutes of the State of Connecticut, Sections 10a-221 through 10a-246, inclusive, as amended (the “Act”). The purpose of the Act is “to provide a measure of financial assistance to students in or from the state, their parents and others responsible for the cost of their education and an alternative method to enable Connecticut institutions for higher education to assist qualified students to attend such institutions.” The Authority is submitting this Annual Report in accordance with Sections 1-123 and 10a-240 of the Connecticut General Statutes.



CHESLA 2013-2015 Strategic Plan: Mission & Vision Statement

- **Mission:** to expand higher educational opportunities for students in or from the State of Connecticut by offering a cost-effective alternative financing program.
- **Vision:** to become a resource for students as they plan for their college education, not only by providing financing, but by providing information and tools for students to make informed decisions; to enhance the competitiveness of Connecticut institutions of higher education by providing additional financing options; and to encourage interest in higher education to help the state meet its workforce needs.

Consolidation Savings

CHESLA became statutorily consolidated with the Connecticut Health and Educational Facilities Authority (CHEFA) on July 1, 2012. Additional information about CHEFA may be found in its Annual Report available at www.chefa.com.

The CHESLA consolidation with CHEFA allowed certain previously outsourced CHESLA functions to be provided by CHEFA staff. FY 2015, CHESLA paid CHEFA approximately \$149,000 for management and support services. This compares favorably to approximately \$216,000 paid by CHESLA for outsourced services in FY 2012, prior to the consolidation. CHESLA’s subsidiary relationship with CHEFA is reflected in the unaudited financial statements which are presented on a component unit basis and are included in this report.

CHESLA's Board Members FY 2015

Statutorily Designated:

Ex Officio Members

Member's Designee



The Honorable Denise L. Nappier
State Treasurer

Sarah K. Sanders
Assistant Treasurer of Debt
Management



Benjamin Barnes
Secretary
Office of Policy & Management

Steven Kitowicz
Principal Budget Specialist



Dr. Gregory W. Gray
President, Board of Regents
for Higher Education

Erika H. Steiner
Chief Financial Officer



Barbara Rubin*
Chair of the Board of CHESLA



Jeffrey A. Asher(1)
Executive Director of CHEFA

(1)retired effective June 30, 2015

The remaining members are appointed by the CHEFA Board of Directors based on their qualifications, as specified in the enabling legislation.

Appointed Members

Expiration of Term

Statutory Qualifications



Julie B. Savino
Vice Chair of the Board of CHESLA

July 1, 2018

Experience in Higher Education
Loan Field



Martin L. Budd, Esq.

July 1, 2017

Experience in State and Municipal Finance



Dr. Peter W. Lisi

Coterminous**

Member of Board of CHEFA who is an Employee of a Connecticut Institution for Higher Education***



Paul Mutone

Coterminous**

Member of Board of CHEFA who is an Employee of a Connecticut Institution for Higher Education***

*Ms. Rubin and Mr. Asher have terms coterminous with their service as Chair of the CHEFA Board and Executive Director of CHEFA, respectively.

**Messrs. Mutone and Lisi have terms coterminous with their service on the CHEFA Board unless a successor is appointed earlier by the CHEFA Board.

*** Public Act 15-200 revises this statutory requirement and allows CHEFA to name any individual with expertise in higher education to this board position. Membership on the CHEFA board is no longer required.

CHESLA Staff Members



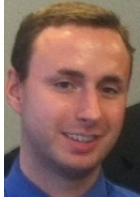
Jeanette W. Weldon
Executive Director

Email address: jweldon@chesla.org



Samuel E. Rush
Deputy Director

Email address: srush@chesla.org



Joshua Hurlock
Loan Portfolio and
Marketing Associate

Email address: jhurlock@chesla.org

Non-discrimination and Equal Employment Opportunity Policy

The Authority is an Equal Opportunity Employer and it is the Authority's policy not to tolerate discrimination or sexual harassment in any form. The Authority does not discriminate against any person in regard to any term or condition of employment based on race, color, religious creed, age, gender, sexual orientation, gender identity or expression, marital status or civil union status, national origin, ancestry, pregnancy, present or past history of mental disorder, intellectual disability, mental or physical disability (including, but not limited to, blindness), veteran's status, prior conviction of a crime, or any other reason prohibited by any applicable law or regulation. Further, it bases its employment decisions, including recruiting, hiring, training and promoting, on this nondiscriminatory principle.

If at any time an employee feels that she or he has been discriminated against or that the above guidelines have been in any way violated, the employee should immediately inform any officer of the Authority. Any employee found to have engaged in discriminatory conduct in violation of the above may be subject to disciplinary action up to and including dismissal. The ultimate responsibility for the implementation of this policy rests with the Executive Director.

Please be advised that, in addition to the above, the Authority will not tolerate disparaging comments about any of the above classes of individuals even if the person to whom the comments are made is not a member of such a class. Any Authority employee found to have made such comments or to have exhibited discriminatory behavior based on any of these or any other classifications may be subject to disciplinary measures up to and including dismissal.

As of June 30, 2015, CHESLA had two employees: a Deputy Director (1 African-American Male) and a Portfolio and Marketing Associate (1 Caucasian Male). CHESLA's Executive Director is an employee of the Connecticut Health and Educational Facilities Authority

Fiscal Year 2015 Strategic Initiative Highlights

Core Goal 1 – Superior Client Service

- A \$2 million equity contribution derived from a transfer from the Connecticut Student Loan Foundation (also a CHEFA subsidiary) and a refunding of some existing CHESLA debt combined to help produce an historically low 2015 Series A loan rate of 4.95% for CHESLA's student borrowers.
- The maximum allowable debt-to-income ratio for borrowers was modified from 40% to 43% to allow more applicants to qualify for CHESLA loans.

million need-based scholarship program was established, funded by a transfer from the

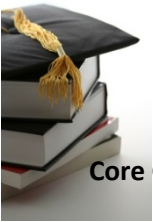


Connecticut Student Loan Foundation.

- CHESLA participated in and sponsored College Goal Sunday. Financial aid workshops were conducted statewide in a coordinated effort with the Connecticut Association of Professional Financial Aid Administrators (CAPFAA). CHESLA provided a \$200.00 scholarship to one student at each of the 15 College Goal Sunday sites.

Core Goal 2 – Programs and Services that Meet the Demands of a Changing Market

- CHESLA received authority from the legislature with the support of the Governor’s office to develop a loan refinancing program and a scholarship program.
- CHESLA staff participated in the National Association for College Admission Counseling (NACAC) Hartford College Fair held at the Connecticut Convention Center on March 25-26, 2015. CHESLA also met with various financial aid officers to inform them of its programs and remaining loan funds available to their students. The plan is to visit schools yearly, on a rotating basis.



Core Goal 3 – Partner in Public Policy

- Staff and management are members of the Education Finance Council (EFC), a national trade association representing nonprofit and state agency student loan organizations; the National Association of School Financial Aid Administrators (NASFAA), which provides focus on student aid legislation, regulatory analysis and training for financial aid professionals, and the Connecticut Association of Professional Financial Aid Administrators (CAPFAA), which assists in promoting and developing effective programs for student financial aid.
- CHESLA staff met with state legislators throughout the legislative session regarding relevant legislation.



Core Goal 4 – Sustainable and Ethical Organization

A clean opinion is expected from Crowe Horwath, LLP for the FY 2015 audit of CHEFA and its component units (CHESLA and the Connecticut Student Loan Foundation).



Bond Issuance

The Authority priced \$21,465,000 in Revenue Bonds on June 10, 2015. The transaction closed on July 2, 2015. The 2015 Series A Bonds were sold through a negotiated underwriting with RBC Capital Markets as the sole managing underwriter and FirstSouthwest Company as the Authority's financial advisor.

As of June 30, 2015, the Authority had issued Revenue Bonds and Revenue Refunding Bonds in the aggregate original principal amount of \$502,925,000. The principal amounts of the Authority's outstanding bonds as of June 30, 2015 total \$154,090,000, as shown below:

Bond Series*	Principal Issued*	Principal Outstanding*
1983 Series	\$15,500,000	\$0
1985 Series	\$15,500,000	\$0
1990 Series A	\$18,000,000	\$0
1990 Series B	\$420,000	\$0
1991 Series A	\$25,000,000	\$0
1991 Series B	\$445,000	\$0
1992 Series A	\$6,600,000	\$0
1993 Series A	\$10,000,000	\$0
1994 Series A	\$25,000,000	\$0
1996 Series A	\$25,000,000	\$0
1998 Series A	\$15,000,000	\$0
1998 Series B	\$3,560,000	\$0
1999 Series A	\$12,500,000	\$0
1999 Series B	\$4,390,000	\$0
2000 Series A	\$16,410,000	\$0
2000 Series B	\$5,975,000	\$0
2001 Series A	\$25,000,000	\$0
2003 Series A	\$18,000,000	\$4,780,000
2003 Series B	\$12,915,000	\$2,875,000
2005 Series A	\$31,455,000	\$9,065,000
2005 Series B	\$5,900,000	\$0
2006 Series A	\$33,270,000	\$9,900,000
2007 Series A	\$41,000,000	\$20,700,000
2009 Series A	\$30,000,000	\$19,120,000
2010 Series A	\$45,000,000	\$36,140,000
2012 Series A	\$13,085,000	\$4,830,000
2013 Series A	\$25,000,000	\$23,680,000
2014 Series A	\$23,000,000	\$23,000,000
Total	\$502,925,000	\$154,090,000

*Excludes \$21,465,000 2015 Series A Bonds which closed on July 2, 2015.

The State's contingent liability, in connection with the outstanding bonds, is the Special Capital Reserve Fund requirement for such bonds, as defined in Connecticut General Statutes Section 10a-232.

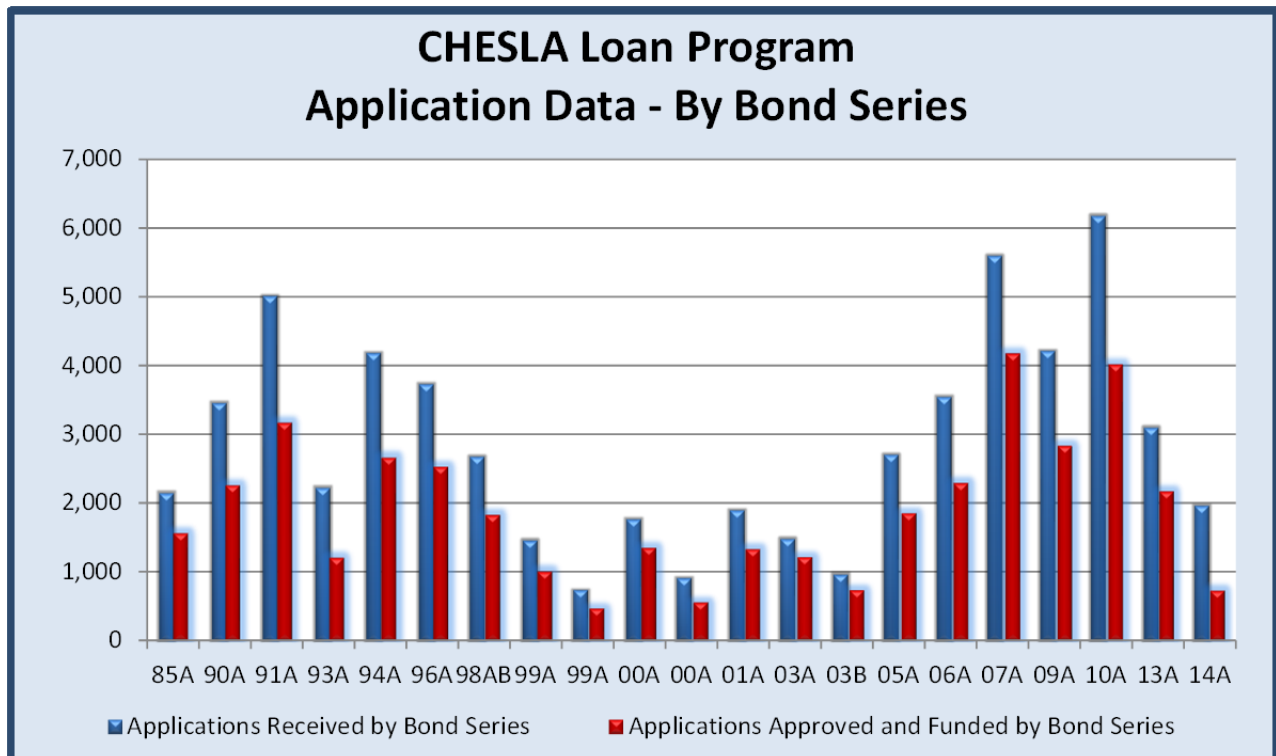
Projected Activities

The Authority will continue to focus on its Core Goals and related strategic objectives. CHESLA's Strategic Plan is included as Exhibit D. All activities are expected to be consistent with the Fiscal Year 2016 operating budget, included as Exhibit E.

Payments in Excess of \$5,000 (excluding loans for education):

Services and Account Disbursements in Excess of \$5,000 Fiscal Year End June 30, 2015
Paid from CHESLA Operating Budget
Bank of America Connecticut Health and Educational Facilities Authority (CHEFA) Education Finance Council, Inc. Live Nation Marketing, Inc. Willis of Connecticut, LLC WTNH
Paid from CHESLA 1990 & 2003 Bond Resolution Revenue Accounts
AMTEC Collection Company of America (CCA) Day Pitney, LLP Firstmark Services FirstSouthwest Moody's Investors Service U.S. Bank (Trustee Fees)

Loan Volume and Funding for the CHESLA Loan Program

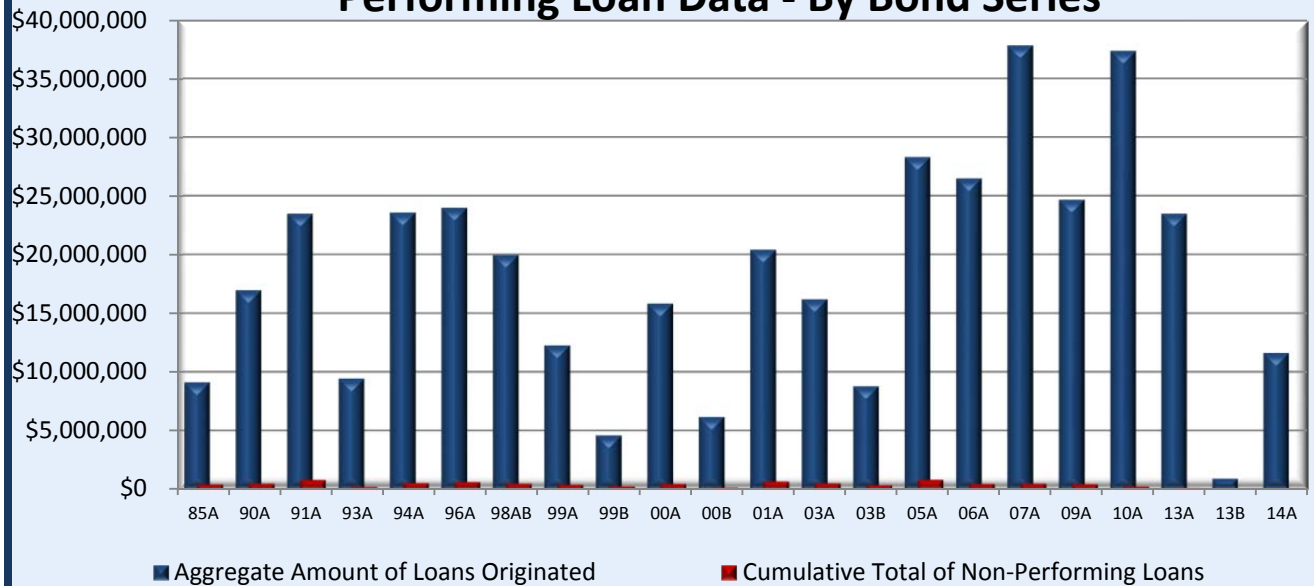


Applications Received by Bond Series – 85A (2,150), 90A (3,462), 91A (5,022), 93A (2,226), 94A (4,193), 96A (3,737), 98AB (2,681), 99A (1,460), 99B (739), 00A (1,771), 00B (915), 01A (1,900), 03A (1,484), 03B (964), 05A (2,710), 06A (3,552), 07A (5,607), 09A (4,223), 10A (6,188), 13A (3,104), and 14A (1,969).

Applications Approved and Funded by Bond Series – 85A (1,575), 90A (2,275), 91A (3,181), 93A (1,215), 94A (2,676), 96A (2,542), 98AB (1,840), 99A (1,014), 99B (475), 00A (1,360), 00B (564), 01A (1,341), 03A (1,225), 03B (743), 05A (1,866), 06A (2,308), 07A (4,188), 09A (2,848), 10A (4,029), 13A (2,187), and 14A (736).



CHESLA Loan Program Origination Amount and Non-Performing Loan Data - By Bond Series



Aggregate Amount of Loans Originated – 85A (\$9,138,627), 90A (\$16,978,127), 91A (\$23,509,883), 93A (\$9,457,002), 94A (\$23,601,441), 96A (\$24,002,867), 98AB (\$19,989,330), 99A (\$12,283,780), 99B (\$4,628,969), 00A (\$15,853,387), 00B (\$6,200,067), 01A (\$20,433,303), 03A (\$16,212,316), 03B (\$8,813,427) 05A (\$28,321,052) 06A (\$26,527,184) 07A (\$37,871,341), 09A (\$24,703,581), 10A (\$37,389,234), 13A (\$23,498,640), 13B (\$952,536) and 14A (\$11,638,880). Total cumulative amount originated: \$402,004,974.

Cumulative Total of Non-Performing Loans – 85A (\$433,731), 90A (\$492,607), 91A (\$809,190), 93A (\$237,783), 94A (\$553,131), 96A (\$635,191), 98AB (\$509,654), 99A (\$420,508), 99B (\$287,225), 00A (\$484,857) 00B (\$170,233), 01A (\$670,222), 03A (\$520,524), 03B (\$374,773), 05A (\$843,659), 06A (\$484,594), 07A (\$506,502), 09A (\$472,009), 10A (\$249,852), 13A (\$100,221), and 14A (\$28,770). Total non-performing loans: \$9,285,438.

Net Non-Performing Default Rate – 85A (4.75%), 90A (2.90%), 91A (3.44%), 93A (2.51%), 94A (2.34%), 96A (2.65%), 98AB (2.55%), 99A (3.42%), 99B (6.20%), 00A (3.06%), 00B (2.75%), 01A (3.28%), 03A (3.21%), 03B (4.25%), 05A (2.98%), 06A (1.83%), 07A (1.34%), 09A (1.91%), 10A (0.67%), 13A (0.41%), and 14A (0.25%).

Total net non-performing default rate (2.31%)

Activity information was compiled from loans originated as follows:

1985 Series A – 10/01/85 to 10/30/88	2001 Series A – 05/01/02 to 08/31/05 includes recycling
1990 Series A – 08/22/90 to 09/06/91	2003 Series A & B – 07/23/03 to 07/13/05
1991 Series A – 09/12/91 to 08/05/93	2005 Series A & B – 07/13/05 to 11/14/06
1993 Series A – 08/12/93 to 08/20/94	2006 Series A – 09/20/06 to 07/14/08 includes recycling
1994 Series A – 08/26/94 to 09/20/96	2007 Series A – 09/05/07 to 03/26/10 includes recycling
1996 Series A – 10/05/96 to 09/05/98	2009 Series A – 09/04/09 to 05/24/13 includes recycling
1998 Series A & B – 09/11/98 to 06/30/99	2010 Series A – 05/06/11 to 07/19/13 includes recycling
1999 Series A & B Bonds – 10/27/99 to 11/24/00	2013 Series A – 05/10/13 to 01/31/15
2000 Series A & B – 12/15/00 to 05/01/02	2013 Series B – 10/1/14 to 04/30/15
	2014 Series A – 7/1/14 to 06/30/15

- A table showing loan disbursements by School and Bond Series, from proceeds of the 1985 through 2013 Series A bond sales is attached as Exhibit B to this Annual Report.
- A copy of the Loan Program Manual is attached as Exhibit C to this Annual Report.



Exhibit A – Financials

The Authority's financial statements are formatted on a discrete basis and reflect the operations of CHEFA, CHESLA, and CSLF.

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

	Primary Government	Component Units	
	CHEFA (Business-type Activities)	CHESLA	CSLF
ASSETS			
Current assets:			
Unrestricted assets:			
Cash	\$ 441	\$ 48	\$ 965
Investments	-	1,278	-
Accounts receivable, less allowance of \$86	155	-	-
Interest receivable on investments	-	134	-
Board-designated investments	5,413	1,000	-
Due from CSLF	-	2,000	-
Prepaid expenses and other assets	74	14	34
Total unrestricted assets	6,083	4,474	999
Restricted assets:			
Fund investments	323,724	-	-
Investments - Trust/Estate	-	28,512	11,758
Current portion of loans receivable, net of allowances for loan losses of \$2,787	-	16,754	-
Current portion of loans receivable, net of allowances for loan losses of \$1,335	-	-	21,787
Loan interest receivable	-	465	5,390
Total restricted assets	323,724	45,731	38,935
Total current assets	329,807	50,205	39,934
Non-current assets:			
Unrestricted assets:			
Prepaid bond insurance premiums	-	155	-
Capital assets, net	169	-	-
Restricted assets:			
Restricted investments	10,407	23,557	-
Loans receivable, net of current portion	-	102,988	307,638
Total non-current assets	10,576	126,700	307,638
Total assets	\$ 340,383	\$ 176,905	\$ 347,572

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORIT
STATEMENT OF NET POSITION
Unaudited June 30, 2015
(Amounts Expressed in Thousands)

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>CHEFA</u> (Business-type Activities)	<u>CHESLA</u>	<u>CSLF</u>
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable and accrued expenses	\$ 2,297	\$ 2,073	\$ 94
U.S. Department of Education payable	-	-	1,676
Trust Estate payable	-	-	541
Current portion of bonds payable	-	11,105	-
Accrued interest payable	-	814	-
Due to CHESLA	-	-	2,000
Amounts held for institutions	320,224	-	-
Total current liabilities	322,521	13,992	4,311
Non-current liabilities:			
Bonds payable, net of current portion	-	144,573	311,226
Amount held on behalf of the State of Conn	2,172	-	-
Total non-current liabilities	2,172	144,573	311,226
Total liabilities	324,693	158,565	315,537
Net position:			
Net investment in capital assets	169	-	-
Restricted	11,735	15,784	7,891
Unrestricted	3,786	2,556	24,144
Total net position	15,690	18,340	32,035
Total liabilities and net position	\$ 340,383	\$ 176,905	\$ 347,572

**STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Unaudited For the Year Ended June 30, 2015

(Amounts Expressed in Thousands)

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

CHESLA

Connecticut Higher Education Supplemental Loan Authority

**Exhibit B – Loans Disbursed to Schools
by Bond Series**

CHESLA

Connecticut Higher Education Supplemental Loan Authority

Exhibit C – Loan Program Manual

CONNECTICUT HIGHER EDUCATION

SUPPLEMENTAL LOAN AUTHORITY

CHESLA LOAN PROGRAM

PROGRAM MANUAL

ADOPTED AUGUST 14, 1996,

AMENDED AS OF DECEMBER 10, 1999

AMENDED AS OF OCTOBER 2, 2001

AMENDED AS OF JULY 30, 2008

AMENDED AS OF MAY 8, 2014

AMENDED AS OF MAY 15, 2015

* * * * *

ADDENDUM, AUGUST 19, 1998

ADDENDUM, OCTOBER 27, 1999

ADDENDUM, NOVEMBER 2, 2000

ADDENDUM, OCTOBER 31, 2001 & NOVEMBER 2, 2001

ADDENDUM, JUNE 30, 2003

ADDENDUM, MARCH 2, 2005

ADDENDUM, AUGUST 2, 2006

ADDENDUM, AUGUST 10, 2007

ADDENDUM, JULY 29, 2009

ADDENDUM, OCTOBER 5, 2010

ADDENDUM, MARCH 19, 2013

ADDENDUM, MAY 15, 2014

ADDENDUM, JUNE 10, 2015

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Education Loan Interest Rates

I. GUIDELINES

A. PURPOSE

The Connecticut Higher Education Supplemental Loan Authority is a public institution founded for the purpose of providing long-term, low interest education loans for Connecticut students attending colleges and universities within the United States of America and its possessions and for out-of-state students attending colleges and universities within Connecticut.

In accordance with the policy and provisions of Chapter 187b of the Connecticut General Statutes, as amended, the CHESLA Loan Program seeks to provide long-term education loans for students, parents and others responsible for paying the costs of higher education.

B. DEFINITIONS

Unless otherwise expressly stated herein or unless the context otherwise requires, the following definitions shall apply with respect to this Manual:

“Act” means the Connecticut Higher Education Supplemental Loan Authority Act, being Chapter 187b of the General Statutes of Connecticut, Sections 10a-221 through 10a-246, inclusive, as heretofore amended and as further amended from time to time.

“Applicant” means any individual who is an Eligible Undergraduate Student, an Eligible Graduate Student, and any parent, legal guardian, or sponsor of an Eligible Undergraduate Student or Eligible Graduate Student attending an Eligible College or University, who completes, signs and submits an Application on behalf of such student with the intention of being accepted as a Borrower or Co-Borrower under the Program.

“Application” means an application for a CHESLA Loan Program Loan submitted to the Authority in the form prescribed by the Authority from time to time, together with such supporting information and documentation as the Authority may reasonably require prior to a final determination with respect thereto.

“Authority” means the Connecticut Higher Education Supplemental Loan Authority, a body politic and corporate of the State of Connecticut, constituting a public instrumentality created by the Act.

“Bonds” means all bonds issued by the Authority pursuant to the Resolution, or any other bonds of the Authority the proceeds of which are used to fund Loans under the Program.

“Borrower” means any approved Applicant who has agreed to repay a Loan and who obtains a Loan in accordance with the terms and conditions of a Promissory Note (See also Co-Borrower).

“Business Day” means any day other than Saturday, Sunday, or a day on which banks located in the city in which the principal office of the Trustee or the Servicer is located are required or authorized to remain closed.

“Capitalized Interest Loan” means an Education Loan made to an Eligible Graduate Student which provides for the capitalization of interest during the Capitalized Interest Period.

“Capitalized Interest Period” means the period during which interest on a Capitalized Interest Loan is deferred and added to the principal balance of the Capitalized Interest Loan and subject to additional interest, which shall be the period while the Eligible Graduate Student is enrolled in an Eligible College

or University and for a six month period after the Eligible Graduate Student is no longer enrolled, which period shall not exceed five (5) years, or such lesser period specified by the Borrower.

“Carry-Over Amount” means, with respect to the proceeds of Bonds of the Authority issued on or before November 15, 2000, \$200,000 of the proceeds of a Series of Bonds which may be used to make loans bearing a stated interest rate equal to (a) the stated rate of interest borne by Loans originated with proceeds of the Series of Bonds most recently issued by the Authority to originate loans pursuant to the Program or (b) the stated rate of interest borne by Loans originated with proceeds of the immediately succeeding Series of Bonds issued by the Authority to originate Loans pursuant to the Program, as may be determined by the Executive Director; with respect to the proceeds of a Series of Bonds issued after November 15, 2000, “Carry-Over Amount” means up to \$500,000 of the proceeds of a Series of Bonds which may be used to make loans bearing such stated rate of interest as the Authority shall determine in accordance with the provisions of the Resolution and any related Tax Compliance Agreement entered into by the Authority in connection with the issuance of such Series of Bonds.

“Co-Applicant” means any Applicant other than the Eligible Student.

“Co-Borrower” means any parent, legal guardian or sponsor of an Eligible Student attending an Eligible College or University who shall be jointly and severally liable with a Borrower for the repayment of a Loan.

“Cost of Education” means the cost of education for a Loan Year as certified by the financial aid administrator at the Eligible College or University and is to include direct and indirect costs associated with attendance at such Eligible College or University, but shall not exceed the amounts determined by the United States Department of Education to be the cost of education, except as otherwise determined by the Executive Director and the Deputy Director, or either of them.

“Current Year Loan” means a Loan other than a Tuition Prepayment Loan and may include a Loan to cover an Eligible Student’s Cost of Education for the next preceding Loan Year.

“Defaulted Loans” means all Loans for which any payment is one hundred and twenty (120) days or more past due.

“Delinquent Loans” means all Loans for which any payment is thirty (30) days or more past due.

“Education Loan Mortgage” means the Deed of Mortgage or similar instrument recorded on the land records where the mortgaged property is located given by a Borrower or Co-Borrower or both to secure an Education Loan, and any related documents.

“Electronic Fund Transfer” means the electronic method of disbursing proceeds of an Education Loan on behalf of an Eligible Student as set forth in an agreement entered into by the Authority, acting by its duly authorized officer, the Servicer and the Trustee.

“Eligible College or University” means any non-profit degree- granting educational institution within the United States of America and its possessions authorized by law to provide a program of education beyond the high school level and (1) described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or any subsequent corresponding Internal Revenue Code, as from time to time amended, and exempt from Federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue Code, as from time to time amended, with respect to a trade or business carried on by such institution which is not an unrelated trade or business, determined by applying Section 513(a) of the Internal Revenue Code of 1986, or any subsequent corresponding Internal

Revenue Code, as from time to time amended, to such institution, or a foundation established for its benefit, or (2) exempt from taxation under said code as a governmental unit.

“Eligible Graduate Student” means a student who is a resident of Connecticut and who is enrolled in and pursuing an educational program leading to a post-baccalaureate certificate or a masters, doctorate or professional degree at an Eligible College or University on at least a half-time basis as defined by such college or university, who is in good academic standing and is making satisfactory progress, as determined by such college or university. “Eligible Graduate Student” also means a student who is not a resident of Connecticut, but who is enrolled and pursuing such an educational program at an Eligible College or University in Connecticut, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college or university.

“Eligible Student” means an Eligible Graduate Student or an Eligible Undergraduate Student.

“Eligible Undergraduate Student” means a student who is a resident of Connecticut and who is enrolled in and pursuing an educational program leading to a certificate or an associate or baccalaureate degree at an Eligible College or University, or a student enrolled in the Connecticut Alternate Route to Certification Program, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college, university, or program. “Eligible Undergraduate Student” also means a student who is not a resident of Connecticut, but who is enrolled and pursuing such an educational program at an Eligible College or University in Connecticut, or a student enrolled in the Connecticut Alternate Route to Certification Program, on at least a half-time basis as defined by such college, university, or program, who is in good academic standing and is making satisfactory progress, as determined by such college, university, or program.

“Interest Only Payment Period” means the period during which a Borrower pays interest only on the Loan, which shall be while the Eligible Student is enrolled in an Eligible College or University and for a six month period after the Student is no longer enrolled, but which period shall not exceed five (5) years.

“Loan” or “Education Loan” means a loan originated by the Authority under the Program and disbursed from the proceeds of the Bonds, including a Capitalized Interest Loan, and any other loan which the Authority determines to originate or administer under the Program.

“Loan Year” means a period of twelve consecutive months, commencing September 1 and ending August 31 each year, in which an Eligible Student is attending an Eligible College or University on at least a half-time basis.

“Net Cost of Education” means the Cost of Education as calculated by the College or University, minus any financial assistance including education loans, work study, grants, scholarships, etc. awarded for the period for which the Loan is requested (Social Security and Veterans’ Administration benefits should not be considered financial aid).

“Prepayable Costs” means tuition and fees, and room and board, as detailed in Section D(3)(a)(i) and (ii) hereof.

“Principal and Interest Repayment Period” means the period during which a Borrower repays the Loan in level monthly installments of principal and interest.

“Program” means the Connecticut CHESLA Loan Program described herein.

“Promissory Note” means the note signed by a Borrower and any Co-Borrower(s) (“Borrowers”) promising to pay the Authority and evidencing a Loan, in the form prescribed by the Authority from time to time.

“Reserve Fee” means the non-refundable fee of four percent (4%) of each Loan, or such other amount, if any, as the Authority shall determine in connection with each Series of Bonds used to finance Education Loans, paid by the Borrower to the Authority out of the proceeds of each such Loan at the time of disbursement thereof.

“Resolution” means the Revenue Bond Resolution of the Authority adopted June 12, 1990, as supplemented and amended June 29, 1990, March 10, 1992, March 16, 1993, June 7, 1994, as supplemented, amended and restated July 19, 1996, as further supplemented and amended June 9, 1998, September 14, 1999, November 2, 2000, and October 31, 2001, and as further supplemented and amended.

“Servicer” means the entity with whom the Authority contracts (which may be the Trustee) for the purpose or providing services with respect to the origination, servicing and administration of Education Loans, Education Loan Mortgages or any other service offered by the Authority under the Program.

“Trustee” means the trustee under the Resolution.

“Truth-in-Lending Disclosure Statement” means the Truth-in-Lending Disclosure Statement sent to each Borrower in connection with the Loan.

“Tuition Prepayment Loan” means a Loan made for payment or reimbursement of a payment made pursuant to a Tuition Prepayment Plan.

“Tuition Prepayment Plan” means any plan adopted by an Eligible College or University whereby an Eligible Student’s Prepayable Costs, or any portion thereof, as determined by the Eligible College or University, may be prepaid.

C. OVERVIEW OF CHESLA LOAN PROGRAM

1. Amount.

- (a) Current Year Loan. A Loan may be made in a principal amount of not less than \$2,000 and not more than any one Eligible Student’s Net Cost of Education in any one Loan Year. In no Loan Year shall the total of all forms of financial assistance (including Loans under the Program) exceed the Cost of Education.
- (b) Tuition Prepayment Loan. A Loan may be made in a principal amount of not less than \$2,000 and not more than \$125,000 in any one Loan Year, for the purpose of prepaying any one Eligible Student’s Prepayable Costs pursuant to a Tuition Prepayment Plan.
- (c) Maximum Borrowing. In no case may any Borrower or Co-Borrower borrow proceeds over the life of the Program for any one Eligible Student in excess of \$125,000.

2. Frequency of Loans. There is no limit on the number of separate Loans a Borrower may apply for and accept during a Loan year.

3. Interest Rate. Loans shall bear interest at the rate or rates as the Authority shall determine in connection with each Series of Bonds used to finance Education Loans. Interest due is calculated daily based on the actual number of days, elapsed, or as otherwise determined by the Authority.
4. Repayment Term and Schedule.
 - (a) For Education Loans other than Capitalized Interest Loans, the initial monthly payment of interest only will be due thirty (30) to sixty (60) days from the date of the disbursement. Interest-only payments shall be paid while the student is enrolled in school and for a six-month period after the student is no longer enrolled, for a maximum period of five (5) years. Thereafter, level payments of principal and interest on the Loans shall be paid monthly until maturity, which shall be 140 months after the date of the first principal payment. All Loans must be repaid in full on or prior to their maturity date. Loans may be prepaid in full, but not in part, subject to a four percent (4%) prepayment fee, waivable at the Authority's option. The Executive Director and the Deputy Director, or either of them are authorized to waive any such prepayment fee on behalf of the Authority.
 - (b) For Capitalized Interest Loans interest will accrue and be added to the principal Loan balance annually beginning on a date which is not more than one year following the date of disbursement and continuing annually thereafter during the Capitalized Interest Period and ending on the last day of the Capitalized Interest Period, so that an increased principal Loan balance shall be computed annually upon which interest shall accrue. Level payments of principal and interest shall commence upon the expiration of the Capitalized Interest Period and shall be paid monthly until maturity, which shall be 140 months after the date of the first principal payment. All Loans must be repaid in full on or prior to their maturity date. Loans may be prepaid in full, but not in part, subject to a four percent (4%) prepayment fee, waivable at the Authority's option. The Executive Director and the Deputy Director, or either of them are authorized to waive any such prepayment fee on behalf of the Authority.
5. Promissory Note. Each Loan will be evidenced by a Promissory Note executed by the Borrower and Co- Borrower(s), if any. A Promissory Note will be sent to the Borrower and any Co-Borrower for execution upon approval of the Application by the Servicer, as authorized by the Authority.
6. Mortgages. In the event the Authority and the Servicer enter into an agreement for the purpose of servicing Loans secured by Mortgages, Borrowers and Co-Borrowers may, to the extent permitted thereby and in accordance with the procedures and subject to the limitations set forth therein, deliver such documents as are specified therein for the purpose of securing an Education Loan.
7. Credit Life Insurance. In the event the Authority and the Servicer enter into an agreement for the purpose of offering Borrowers an option to purchase credit life insurance, Borrowers may include with their Loan payments the cost thereof, in accordance with the terms of such agreement; provided, however, that Loan payments shall first be credited to principal, interest and prepayment fees as set forth herein and in the Promissory Note.

8. Reserve Fee. The non-refundable Reserve Fee will be paid by the Borrower from the proceeds of each Loan at the time of disbursement thereof.
9. Nondiscrimination. The Authority shall not discriminate on the basis of the location within the United States and its possessions of the Eligible College or University or on the basis of the residency of Eligible Students attending Eligible Colleges or Universities located in Connecticut.
10. Borrowers not to Acquire Bonds. Each Borrower shall agree that neither the Borrower, the Co-Borrower, nor any person who is a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended, has or will acquire any of the Bonds in an amount related to any Loan received by such Borrower.
11. Release of Co-Borrowers. In connection with Education Loans originated with proceeds of the 2014 Series A Bonds and bonds issued thereafter, upon request, a Co-Borrower may be released from responsibility for repayment of a Loan for which not fewer than 60 consecutive Timely payments of principal and interest have been received following the end of the Interest Only Payment Period, and for which the remaining Borrower would satisfy the then current credit criteria for Education Loan eligibility as set forth in Section E. A payment shall be considered Timely so long as it is received not later than ten days after the due date therefor and all other payments within the prior twelve-month period have been received on or before the due dates therefor.

The Authority may charge a fee for processing any such request for release.

D. APPLICATION PROCESS

1. Obtaining the Application. The Authority shall make Applications available , on its internet web site and in such other manner as the Authority may determine.
2. Submitting the Application. An Applicant seeking a Loan must submit a completed Application, to the address stated on the Application. A School Certification Form in the form or medium prescribed by the Authority from time to time must be forwarded to the Eligible College or University’s financial aid office. An Application is complete when the Applicant furnishes all required documentation and information on the Application and when a School Certification Form has been completed and returned to the Servicer.
3. School Certification Form and Calculation of Net Cost of Education. The financial aid administrator completes the School Certification Form. The School Certification Form includes (a) a representation that the institution in which the Eligible Student is enrolled is an Eligible College or University, (b) a confirmation that the student is enrolled at such institution on at least a half-time basis and is making satisfactory progress, (c) a determination and certification of the expected Cost of Education and the Net Cost of Education and (d) with respect to Capitalized Interest Loans, a determination and certification that the Eligible Student meets the requirements of an Eligible Graduate Student. The following shall be used by each Eligible College or University in estimating the expected Cost of Education:
 - a. Direct Costs:

- (i) Tuition & Fees: The amount paid or expected to be paid directly to the Eligible College or University for such charges for the period covered by the Loan.
 - (ii) Room & Board: If a student resides at the Eligible College or University, the amount to be paid to the Eligible College or University for such charges for the period covered by the Loan.
 - (iii) Books & Supplies: An allowance as determined by the Eligible College or University.
- b. Indirect Costs:
- (i) Room & Board: If a student does not reside at the Eligible College or University, an allowance as determined by the Eligible College or University, for each month of expected attendance during the Loan Year, which shall not exceed the amount of such costs as determined by the United States Department of Education, provided that the Executive Director and the Deputy Director, or either of them, shall be authorized to determine such other amount as they shall deem appropriate.
 - (ii) Miscellaneous Personal Expenses: An allowance as determined by the Eligible College or University, for each month of expected attendance.

The financial aid office, after completing the School Certification Form, shall return it as the Authority shall direct.

E. LOAN ORIGINATION

1. Application Processing by the Servicer. Upon receipt of a completed Application, including the School Certification Form, the Servicer shall:
 - a. Check for completeness of the Application, including the School Certification Form, including all necessary attachments. Applications for Capitalized Interest Loans shall be accepted only upon the Servicer's determination that the Borrower is an Eligible Graduate Student. If an Application is incomplete or otherwise rejected, the Servicer may return the document, or send a form for correction or completion of information contained in the document, to the Applicant or Co-Applicant, as appropriate, for missing information;
 - b. Verify the Applicant's and a Co-Applicant's income(s);
 - c. Verify the employment status of the Applicant and a Co-Applicant in such manner as the Authority may prescribe;
 - d. Request and review the Credit Report(s) of the Applicant and/or Co-Applicant and investigate any derogatory information contained therein to the extent deemed necessary;
 - e. Review Form 1040, as agreed by the Authority and the Servicer;

- f. Review and verify that Applicant and/or Co-Applicant have acceptable credit history with current and former creditors;
 - g. Review the credit reports according to the following guidelines: judgments, liens, bankruptcies by or against the Applicant or Co-Applicant, if any, and defaults by the Applicant or a Co-Applicant on installment loans of any type, including other education loans, to the extent deemed necessary in order to make the recommendation required;
 - h. Review to determine that the Applicant, a Co-Applicant, and the Loan, if made, would meet the requirements of the Program; for example, with respect to the amount of the Loan to be made in one Loan Year and the aggregate amount the Borrower may borrow for any one Eligible Student over the life of the Program.
 - i. Review to determine that the Applicant and each Co-Applicant is of a legal age to commit to a contract.
2. Debt-to-Income Determination by Servicer. The Servicer shall calculate a debt-to-income ratio based on information provided on the Application. For Loans originated prior to June 15, 2015, total monthly debt obligations plus the total monthly housing expense (rent or mortgage payments) may not exceed 40% of the stable gross monthly income. For Loans originated on and after June 15, 2015, total monthly debt obligations plus the total monthly housing expense (rent or mortgage payments) may not exceed 43% of the stable gross monthly income. For purposes of calculating a debt-to-income ratio of applicants for Capitalized Interest Loans, the Servicer shall calculate the Capitalized Interest Loan principal amount as of the end of the Capitalized Interest Period. If debt-to-income ratio is satisfactory, the Servicer will complete the credit analysis. If debt-to-income ratio exceeds the amount permitted in this Section E.2, Servicer will reject Application or follow the procedures under Section F.1. or F.2.
3. Credit Analysis by the Servicer. The Servicer shall perform a credit analysis in keeping with normal industry standards and shall consider such factors as it shall mutually agree upon with the Authority.
4. Credit History. The Servicer shall obtain a written credit report prepared by a commercial credit reporting agency with respect to each Application.
- a. To be eligible, no Applicant or Co-Applicant may be currently in default on any Stafford Loan, Parent Loan for Undergraduate Students (PLUS), Perkins Loan, formerly known as National Direct Student Loan (NDSL), Supplemental Loan for Students (SLS), or any other education loan, or owe refunds on a Pell Grant or Supplemental Education Opportunities Grant (SEOG).
 - b. The Servicer shall review the credit report to determine:
 - (i) That no more than one account is rated sixty (60) or more days delinquent at the time of the credit report.
 - (ii) That no more than two accounts have been sixty (60) or more days delinquent during the preceding two (2) years.

- (iii) That no account has been delinquent ninety (90) or more days during the preceding two (2) years.
- (iv) That there is no record of a collection or charged-off account during the preceding two (2) years.
- (v) That there is no record of a foreclosure, repossession, open judgment or suit, unpaid prior educational loan default or other negative public record items in the past six (6) years.
- (vi) That there is no record of a bankruptcy in the past seven (7) years.

Credit reports that list any of the above conditions may result in a rejection of the Applicant's application.

If any of the above items adversely affect credit-worthiness or differ substantially from the information on the Application, the Servicer may, with the consent of the Authority, consult with the Applicant and Co-Applicant and obtain written explanations of any problems satisfactory to the Servicer and the Authority before considering the Loan further.

F. LOAN APPROVAL/DISAPPROVAL

1. Limited Review of Applications Which Exceed Debt-to-Income Ratio. On a limited basis, the Servicer may review with the Authority Applications which exceed the debt-to-income ratio or otherwise do not meet the credit criteria, and decide in consultation with the Authority whether such Applications can be shown to support the credit-worthiness of the Applicant. However, the principal amount of Loans approved pursuant to this Section may not exceed the maximum amount of such Loans permitted, as determined by the Authority in connection with each Series of Bonds. The Executive Director and the Deputy Director, or either of them, are authorized to approve the making of any such Loan.
2. Approval of Loans in Lesser Amount. If the Servicer determines that the Applicant is eligible for a Loan in an amount less than that applied for, the Servicer shall recommend a lesser Loan amount which would enable the Applicant to qualify.
3. Notice of Adverse Determination. If the Servicer determines that the Applicant's income is insufficient, utilizing the debt-to-income ratio of forty percent (40%), or if credit history does not meet the Authority's standards, or the Application is rejected for any other reason the Servicer shall send a notice to the Applicant at the address of the Borrower advising the reasons for rejection, to the extent required by law.
4. Time Period for Approval/Disapproval. The Servicer shall approve or disapprove a Loan upon receipt of a completed Loan Application, and the Servicer shall thereafter process all additional Loan documentation, the School Certification Form and Promissory Note. The time period within which such actions shall occur shall be as agreed upon by the Authority and the Servicer. If the Servicer cannot so act within such time frame, it shall give the Authority, the Applicant, and the Eligible College or University written notice that it will not be able to complete the required processing procedures within the said period, in which case it shall complete the requested processing within twenty (20)

Business Days of the receipt of a completed Loan Application, and within ten (10) Business Days of receipt of additional Loan documents, School Certification Forms, and Promissory Notes.

5. Loan Disbursement Process. For each approved Loan,
 - (a) The Servicer shall:
 1. Originate and mail to the approved Applicant, at the Borrower's address, a Promissory Note and, if applicable, an Education Loan Mortgage, to be signed by the Borrower and each Co-Borrower, and returned to the Servicer.
 2. Upon receipt of an executed Note and School Certification Form, and, if applicable, an Education Loan Mortgage, notify the Authority in report form of Loan approvals and deliver to the Trustee via a secure means (such as overnight courier) the original Note and any Education Loan Mortgage. The Servicer shall keep the Application and shall keep a copy of such Note and any Education Loan Mortgage for safekeeping. The Servicer shall also determine disbursement dates for each approved Loan upon receipt of the executed Note and School Certification Form, and shall list such Loan on the disbursement roster, which shall be forwarded to the Authority and the Trustee.
 - (b) The Trustee shall, upon receipt of a signed Promissory Note and, if applicable, Education Loan Mortgage, and disbursement roster from the Servicer, and a signed requisition from the Authority, (a) pay from the Loan Account, via such means as the Servicer shall direct, to the Servicer the amount of the Loan less the applicable Reserve Fee and (b) advise the Authority of the disbursement. The Reserve Fee shall be retained in the Loan Account held by the Trustee.
 - (c) The Servicer shall disburse by check or by Electronic Fund Transfer, to the Institution, the Borrower or the Borrower's designee as specified in the Promissory Note, the Loan proceeds upon receipt of funds from the Trustee.
 - (d) The Servicer shall notify major credit bureaus of the making and status of each Borrower's obligation to the Authority.
6. Receipt of Check. If a Loan is disbursed by check, the Borrower and each Co-Borrower must endorse the check. In the case of a Tuition Prepayment Loan, the check must be endorsed by the Borrower, each Co-Borrower, and the Eligible College or University. If the Loan is disbursed by Electronic Fund Transfer, the Borrower, each Co-Borrower and the Eligible College or University receiving such disbursement shall execute such documents as the Authority shall require.

G. LOAN SERVICING AND REPAYMENT

Loans will be serviced by the Servicer in accordance with the following:

1. Transmittal of Information. Eligible Colleges and Universities will forward to the Servicer any changes of name, address, telephone number, date of birth, and social security number of Borrower(s) of which they are aware.

2. Monthly Statements. The Servicer will, with respect to Loans other than Capitalized Interest Loans, within a period of sixty (60) days after the disbursement of funds, commence, and continue throughout the Interest Only Payment Period and the Principal and Interest Repayment Period, to send monthly statements to the Borrower. The Servicer will, with respect to Capitalized Interest Loans, within a period of sixty (60) days after the expiration of the Capitalized Interest Period, commence, and continue throughout the Principal and Interest Repayment Period, to send monthly statements to the Borrower. In the event the Servicer and the Authority have entered an agreement for the purpose of offering Borrowers the option of purchasing credit life insurance, such statements may also include such information as the Authority deems appropriate with respect to the credit life insurance in accordance with the terms of such agreement. All payments must be made by check or money order payable to the order of the Servicer and mailed to the post office box maintained by the Servicer or as otherwise agreed by the Servicer and the Authority.
3. Processing of Payments Received. The Servicer, on behalf of Authority, will maintain a post office box to receive payments on the Loans, and will transfer such payments into an account maintained by the Trustee, on such basis as the Servicer and the Authority shall agree. Such payments shall be deemed held in trust for the Authority and the bondholders. The Authority and the Trustee shall be responsible for negotiating the terms of said account with respect to fees, interest, and transfers therefrom. The Servicer shall prepare a report monthly with respect to payments received, identifying (to the extent ascertainable) the Borrower with respect to each payment and shall deliver such report to the Authority.
4. Application of Loan Payments. Payments of Loans will be applied, to the extent sufficient, in the following order of priority: (a) interest and (b) principal. In the event that a Borrower shall have more than one Loan outstanding, partial payments shall be applied to each such Loan based upon the percentage each such Loan bears to the total Loans of such Borrower outstanding, or as otherwise agreed by the Authority and the Servicer.
5. Loan Repayments. For Loans other than Capitalized Interest Loans, interest-only payments will be due commencing no later than sixty (60) days after disbursement of funds and shall continue during the Interest Only Payment Period. Thereafter level monthly payments of principal and interest shall be due for a period of 140 months, or until the Loan is prepaid, if earlier. For Capitalized Interest Loans, level monthly payments of principal and interest shall be due commencing on the expiration of the Capitalized Interest Period and ending after 140 months or until the Loan is prepaid, if earlier.
6. Prepayments. A Loan may only be prepaid in full. The Authority will assess a fee of four percent (4%) of the balance due for such prepayments which fee may be reduced or waived by the Authority. If a Borrower wishes to prepay a Loan in full, the Borrower must contact the Servicer to determine the amount of principal and interest outstanding. If payment of more than one month is made, which payment is less than full payment including any prepayment fee, the additional moneys will be credited first towards interest and second towards principal by the Servicer or, at the option of the Authority, will be returned to the Borrower. Excess payments may be applied to the prepayment fee. Collection of the prepayment fee is the responsibility of the Authority.

7. Payments in Full. Based on information received and its records, the Servicer will notify the Authority of payment in full of a Loan before or at maturity. Upon receipt of payment in full of each account, notification will be given to the Authority in writing that payment in full has been received. For purposes of servicing only, an account will be deemed paid in full if its balance is less than \$5.00.

H. LOAN COLLECTION PROCESS

1. Servicing of Delinquent Loans. The Servicer must responsibly service Delinquent Loans so as to enable, to the maximum extent possible, payment in full of such Loans on their respective repayment schedules. For accounts which continue to be delinquent, the Servicer must notify the Borrower and any Co-Borrower of the delinquency. If any payment is one hundred twenty (120) days past due, the Servicer will notify the Authority.
2. Delinquency Requirements. The Servicer will send delinquency notices and make contact with the Borrower and any Co-Borrowers in accordance with the Servicing Agreement or such other process agreed to by the Authority.
3. Defaults. The Authority, upon the 120th day of delinquency, will consider the Loan to be in default. The Authority will begin collection proceedings against the Borrower and any Co-Borrower upon receipt of the Note from the Trustee and related documents from the Servicer.
4. Death of Borrower or Co-Borrower. If, at any time, the Servicer is notified or otherwise becomes aware of the death of a Borrower or a Co-Borrower, it shall notify the Authority immediately.
5. Bankruptcy. If a Borrower or a Co-Borrower is adjudicated bankrupt and has liability for a Loan discharged, the other obligor(s) remains liable for unpaid principal and interest. The Authority and its counsel shall consult with respect to the filing of a claim in any bankruptcy proceeding of a Borrower or Co-Borrower.
6. Due Diligence. The Servicer shall exercise reasonable care and due diligence in the collection of Loans made by the Authority and shall utilize collection practices no less extensive and rigorous than those generally in use by commercial lenders for loans of comparable amounts. The Servicer shall use such collection practices as are set forth in the Servicing Agreement between the Authority and the Servicer.
7. Mortgages. The Servicer's additional responsibilities with respect to Education Loans secured by Education Loan Mortgages shall be set forth in the separate agreement, if any, entered into between the Servicer and the Authority for the servicing of Education Loans secured by Education Loan Mortgages.
8. Credit Life Insurance. The Servicer's additional responsibilities with respect to credit life insurance shall be set forth in the separate agreement, if any, entered into between the Servicer and the Authority for the purpose of offering Borrowers the option to purchase credit life insurance.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL

Dated August 19, 1998

Per the determination of the 1998 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authority's \$15,000,000 Revenue Bonds (Family Education Loan Program) 1998 Series A and the Authority's \$3,560,000 Revenue Refunding Bonds (Family Education Loan Program) 1998 Series B shall bear interest at a stated rate of 7.50% per annum, except any loan made with the Carry Over amount.

2. 1998 Loans will be serviced by The Connecticut Student Loan Foundation.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated October 27, 1999

Per the determination of the 1999 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authority's \$12,500,000 Revenue Bonds (Family Education Loan Program) 1999 Series A and the Authority's \$4,390,000 Revenue Refunding Bonds (Family Education Loan Program) 1999 Series B shall bear interest at a stated rate of 7.50% per annum, except any loan made with the Carry Over amount.
2. Prior to December 10, 1999, the Reserve Fee shall be four percent (4%) for Loans made with proceeds of the Authority's \$12,500,000 Revenue Bonds (Family Education Loan Program) 1999 Series A and the Authority's \$4,390,000 Revenue Refunding Bonds (Family Education Loan Program) 1999 Series B. On and after December 10, 1999, the Reserve Fee for 1999 Loans shall be three percent (3%).
3. 1999 Loans will be serviced by the Connecticut Student Loan Foundation.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated November 2, 2000

Per the determination of the 2000 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authority's \$16,410,000 Revenue Bonds (Family Education Loan Program) 2000 Series A and the Authority's \$5,975,000 Revenue Refunding Bonds (Family Education Loan Program) 2000 Series B (collectively the "2000 Bonds") initially shall bear interest at a stated rate of 7.25% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received written confirmation from the rating agencies then rating the 2000 Bonds that such increase or decrease, in and of itself, will not cause the rating on the 2000 Bonds to be withdrawn or lower than the rating in effect immediately prior to such changes.

2. Initially, the Reserve Fee shall be two percent (2%) for Loans made with proceeds of the 2000 Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received written confirmation from the rating agencies then rating the 2000 Bonds that such increase or decrease, in and of itself, will not cause the rating on the 2000 Bonds to be withdrawn or lower than the rating in effect immediately prior to such changes.

3. 2000 Loans will be serviced by the Connecticut Student Loan Foundation.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL

Dated October 31, 2001 & November 2, 2001

Per the determination of the 2001 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authority's \$25,000,000 Revenue Bonds (Family Education Loan Program) 2001 Series A (the "2001 Series A Bonds") initially shall bear interest at a stated rate of 6.70% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received written confirmation from the rating agencies then rating the 2001 Series A Bonds that such increase or decrease, in and of itself, will not cause the rating on the 2001 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such changes.

2. Initially, the Reserve Fee shall be two percent (2%) for Loans made with proceeds of the 2001 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received written confirmation from the rating agencies then rating the 2001 Series A Bonds that such increase or decrease, in and of itself, will not cause the rating on the 2001 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such changes.

3. 2001 Loans will be serviced by the Connecticut Student Loan Foundation.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL

Dated June 30, 2003

Per the determination of the 2003 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authority's \$18,000,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2003 Series A (the "2003 Series A Bonds") and the Authority's \$12,915,000 Senior Revenue Refunding Bonds (Connecticut Family Education Loan Program) 2003 Series B Bonds (the "2003 Series B Bonds," and, with the 2003 Series A Bonds, the "2003 Series Bonds") initially shall bear interest at a stated rate of 4.990% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received a Credit Confirmation approving such change.
2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2003 Series Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.
3. 2003 Loans will be serviced by the Connecticut Student Loan Foundation.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated March 2, 2005

Per the determination of the 2005 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authority's \$31,455,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2005 Series A (the "2003 Series A Bonds") and the Authority's \$5,900,000 Senior Revenue Refunding Bonds (Connecticut Family Education Loan Program) 2005 Series B Bonds (the "2005 Series B Bonds," and, with the 2005 Series A Bonds, the "2005 Series Bonds") initially shall bear interest at a stated rate of 5.50% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received a Credit Confirmation approving such change.
2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2005 Series Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.
3. 2005 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL

Dated August 2, 2006

Per the determination of the 2006 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority:

1. Loans made with proceeds of the Authority's \$33,270,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2006 Series A (the "2006 Series A Bonds") initially shall bear interest at a stated rate of 6.15% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received a Credit Confirmation approving such change.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2006 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.

3. 2006 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated August 10, 2007

Per the determination of the Executive Director, as provided in the Determination of the 2007 Bond Committee of the Connecticut Higher Education Supplemental Loan Authority on August 9, 2007:

1. Loans made with proceeds of the Authority's \$41,000,000 Senior Revenue Bonds (Connecticut Family Education Loan Program) 2007 Series A (the "2007 Series A Bonds") initially shall bear interest at a stated rate of 6.99% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority, provided the Authority has received a Credit Confirmation approving such change.
2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2007 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority, provided the Authority has received Credit Confirmation approving such change.
3. 2007 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated July 29, 2009

Per the Determination of the Bond Committee of the Connecticut Higher Education Supplemental Loan Authority on July 29, 2009:

1. Loans made with proceeds of the Authority's \$30,000,000 Revenue Bonds (CHESLA Loan Program) 2009 Series A (the "2009 Series A Bonds") initially shall bear interest at a stated rate of 6.80% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority provided the Authority has notified Fitch Ratings of such change and has received written confirmation from Moody's Investors Service, Inc., if such agency is then rating the 2009 Series A Bonds, that such increase or decrease, in and of itself, will not cause the rating on the 2009 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such change; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such confirmation shall be required.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2009 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority provided the Authority has notified Fitch Ratings of such change and has received written confirmation from Moody's Investors Service, Inc., if such agency is then rating the 2009 Series A Bonds, that such increase or decrease, in and of itself, will not cause such rating on the 2009 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such change; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such confirmation shall be required.

3. 2009 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated October 5, 2010

Per the Determination of the Bond Committee of the Connecticut Higher Education Supplemental Loan Authority on October 5, 2010:

1. Loans made with proceeds of the Authority's \$45,000,000 Revenue Bonds (CHESLA Loan Program) 2010 Series A (the "2010 Series A Bonds") initially shall bear interest at a stated rate of 5.95% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by resolution of the Authority provided the Authority has notified Fitch Ratings of such change and has received written confirmation from Moody's Investors Service, Inc., if such agency is then rating the 2010 Series A Bonds, that such increase or decrease, in and of itself, will not cause the rating on the 2010 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such change; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such confirmation shall be required.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2010 Series A Bonds. The Reserve Fee may be increased or decreased by resolution of the Authority provided the Authority has notified Fitch Ratings of such change and has received written confirmation from Moody's Investors Service, Inc., if such agency is then rating the 2010 Series A Bonds, that such increase or decrease, in and of itself, will not cause such rating on the 2010 Series A Bonds to be withdrawn or lower than the rating in effect immediately prior to such change; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such confirmation shall be required.

3. 2010 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated March 19, 2013

Per the Determination of the Executive Director of the Connecticut Higher Education Supplemental Loan Authority on March 19, 2013:

1. Loans made with proceeds of the Authority's \$25,000,000 Revenue Bonds (CHESLA Loan Program) 2013 Series A (the "2013 Series A Bonds") initially shall bear interest at a stated rate of 5.99% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by the Authority provided there has been a finding by the Authority that the Revenues and other amounts derived by the Authority from the Program shall continue to be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required hereunder and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such finding shall be required.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2013 Series A Bonds. The Reserve Fee may be increased or decreased by the Authority, provided that for any decrease, there has been a finding by the Authority that the Revenues and other amounts derived by the Authority from the Program shall continue to be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required hereunder and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required.

3. 2013 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL
Dated May 15, 2014

Per the Determination of the Executive Director of the Connecticut Higher Education Supplemental Loan Authority on May 15, 2014:

1. Loans made with proceeds of the Authority's \$25,000,000 Revenue Bonds (CHESLA Loan Program) 2014 Series A (the "2014 Series A Bonds") initially shall bear interest at a stated rate of 6.75% per annum, except any loan made with the Carry Over amount. The interest rate borne by such Education Loans may be increased or decreased by the Authority provided there has been a finding by the Authority that the Revenues and other amounts derived by the Authority from the Program shall continue to be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required hereunder and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such finding shall be required.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2014 Series A Bonds. The Reserve Fee may be increased or decreased by the Authority, provided that for any decrease, there has been a finding by the Authority that the Revenues and other amounts derived by the Authority from the Program shall continue to be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required hereunder and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required.

3. 2014 Loans will be serviced by Firstmark Services LLC.

ADDENDUM TO
CONNECTICUT HIGHER EDUCATION
SUPPLEMENTAL LOAN AUTHORITY
CHESLA LOAN PROGRAM
PROGRAM MANUAL

Dated June 10, 2015

Per the Determination of the Executive Director of the Connecticut Higher Education Supplemental Loan Authority on June 10, 2015:

1. Education Loans made with proceeds of the Authority's \$21,465,000 Revenue and Revenue Refunding Bonds (CHESLA Loan Program) 2015 Series A (the "2015 Series A Bonds") initially shall bear interest at a stated rate of 4.95 % per annum, except any loan made with the Carry Over amount; and Education Loans made with proceeds of the Authority's 2015 Equity Contribution initially shall bear interest at a stated rate of 4.95 % per annum. The interest rate borne by such Education Loans may be increased or decreased by the Authority provided there has been a finding by the Authority that the Revenues and other amounts derived by the Authority from the Program shall continue to be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required hereunder and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required; provided, however, that should such change be necessary to maintain the tax-exempt status of any Bonds of the Authority, no such finding shall be required.

2. Initially, the Reserve Fee shall be three percent (3%) for Loans made with proceeds of the 2015 Series A Bonds and Loans made with proceeds of the Authority's 2015 Equity Contribution. The Reserve Fee may be increased or decreased by the Authority, provided that for any decrease, there has been a finding by the Authority that the Revenues and other amounts derived by the Authority from the Program shall continue to be sufficient at all times (a) to pay the cost of maintaining and servicing the Program and keeping it properly insured, (b) to pay the principal or Redemption Price of, and the interest on, all Outstanding Bonds of the Authority issued with respect to such Program, (c) to establish, increase as required hereunder and maintain the Special Capital Reserve Fund at the Special Capital Reserve Fund Requirement, and (d) to pay such other Program Costs as shall be required.

3. 2015 Loans will be serviced by Firstmark Services LLC.

The stated rates of interest borne by Loans originated pursuant to the CHESLA Loan Program with proceeds of the Authority's Bonds (except for Carry-Over amounts) is as set forth below:

Stated Rate of Interest on Outstanding Loans

Revenue Bonds	Stated Rate of Interest (per annum)
1990 Series A	9.70 %
1991 Series A	9.20 %
1993 Series A	8.40 %
1994 Series A	8.25 %
1996 Series A	8.10 %
1998 Series A	7.50 %
1998 Series B	7.50 %
1999 Series A	7.50 %
1999 Series B	7.50 %
2000 Series A	7.25 %
2000 Series B	7.25 %
2001 Series A	6.70%
2003 Series A	4.99%
2003 Series B	4.99%
2005 Series A	5.50%
2005 Series B	5.50%
2006 Series A	6.15%
2007 Series A	6.99%
2009 Series A	6.80%
2010 Series A	5.95%
2013 Series A	5.99%
2014 Series A	6.75%
2015 Equity Loans	4.95%
2015 Series A	4.95%



Exhibit D – CHESLA’s Strategic Plan

CHESLA Strategic Plan
FY 2013 – 2015

Mission: to expand higher educational opportunities for students in or from the State of Connecticut by offering a cost-effective alternative financing program.

Vision: to become a resource for students as they plan for their college education, not only by providing financing, but by providing information and tools for students to make informed decisions; to enhance the competitiveness of Connecticut institutions of higher education by providing additional financing options; and to encourage interest in higher education to help the state meet its workforce needs.

Goals and Objectives:

Core Goal 1 – Superior Client Service

- A. Cost effective and well-structured bond issuance that helps achieve a low cost of funds for students
 - 1. Protect tax-exempt status through thorough post issuance compliance processes
 - 2. Effective investment management
 - 3. Strengthen Investor Relations to support low bond interest rates
 - 4. Resolution structure that supports strong bond ratings and mix of products
- B. Develop informed borrowers by educating them on debt
 - 1. Consider modifying the application process for students and co-borrowers so that before they can access application, they have to go through a tutorial
 - 2. Provide educational sessions and information online
- C. Well managed loan servicer to support easy application process, timely disbursement to schools, good billing and follow up
- D. Well managed, effective and ethical collection agency Responsive staff
- E. Good borrower communication
 - 1. Send borrowers congratulatory note upon graduation that advises them of upcoming principal payments
 - 2. Develop newsletter
 - 3. Explore social media
 - 4. Make CHESLA more prominent in borrower communications

Core Goal 2 – Programs and Services that Meet the Demands of a Changing Market

- A. Evolve Existing Programs
 - 1. Broaden the number of schools served by CHESLA loans; continue to apply for preferred lender status
 - 2. Develop marketing program for increasing CHESLA awareness
 - a. Attend financial aid fairs etc.
 - b. Search engine management

- c. Client visits
 - d. Program for regular press releases coordinated when feasible with governor's office
- B. Develop/Implement New Programs and Loan Products
- 1. Develop more financial aid/debt education tools e.g. on-line, seminars
 - 2. Consider other loan products, e.g., interest rates that vary with borrower credit quality; flexibility to restructure payment terms
 - 3. Consider programs to broaden the base of eligible students
 - 4. Consider programs that incentivize students to pursue areas of study that fit with state's workforce development needs
 - 5. Be prepared to counter market impact of large lenders now offering a fixed rate product (e.g., Sallie Mae and Discover)
 - 6. Meet with counterparts in other states
 - 7. Highlight graduate and undergraduate product and serve each market individually

Core Goal 3 – Partner in Public Policy

- A. Leadership in Creation of Public Policy
 - 1. Work with other groups to support educational opportunity
 - 2. Work within the tax-exempt bond community to ensure continued access to capital for CHESLA loans
 - 3. Monitor any proposed changes in bankruptcy law that would give borrowers and/or co-borrowers the ability to discharge student loans in bankruptcy
- B. Collaboration with Other State Entities/Advocacy Groups on Common Interests (e.g., providing educational opportunity, fostering interest in college at an early age); Continue work with CT Association of Professional Financial Aid Administrators (CAPFAA), EFC, etc.
- C. Work with Treasurer's Office on financial literacy programs and CHET links
- D. Community service as individuals and as an organization

Core Goal 4 – Sustainable and Ethical Organization

- A. Staff and Management Development – use professional organizations for continuing education
- B. Board Development and Oversight – annual session for board education
- C. Increase Awareness of the Authority's Accomplishment and Challenges
- D. Regulatory compliance function, use internal audit function
- E. Clean Audits
- F. Expense Management
- G. Perform well vs. budget

CHESLA

Connecticut Higher Education Supplemental Loan Authority

**Exhibit E – Fiscal Year 2016
Operating Budget**

CHESLA Budget
Budget for the Twelve Months Ending June 30, 2016

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual *	FYE June 30, 2016 Budget
Revenues						
Admin Fee Income	\$ 753,984	\$ 686,726	\$ 699,022	\$ 644,283	\$ 646,367	\$ 758,163
Investment Income	4,078	4,500	3,133	3,600	2,945	2,800
Misc Income & Recovery	10,814	0	1,440	0	0	0
Total Revenues	\$ 768,876	\$ 691,226	\$ 703,595	\$ 647,883	\$ 649,312	\$ 760,963
Expenses						
Compensation	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435	\$ 151,055	\$ 159,007
Employee Benefits	49,592	52,184	52,668	49,757	45,017	48,994
General and Administrative	65,856	109,298	73,683	87,886	76,314	91,960
Business Education, Board and Reimbursable	6,905	12,750	6,710	13,250	7,332	11,750
Membership Dues	6,112	14,500	11,644	14,500	12,029	12,500
CHEFA Support Services	106,179	142,874	142,874	149,587	149,587	154,955
Outside Services	156,647	36,000	34,624	36,038	35,038	38,800
Total Expenses	\$ 530,850	\$ 512,746	\$ 466,426	\$ 502,453	\$ 476,371	\$ 517,965
Excess Revenue from Operations	\$ 238,026	\$ 178,480	\$ 237,169	\$ 145,430	\$ 172,941	\$ 242,998
Bond Issuance Costs & Amortization & Transfer to Trust	729,704	25,627	325,627	22,227	22,227	29,795
Total Excess Revenue	\$ (491,678)	\$ 152,853	\$ (88,458)	\$ 123,203	\$ 150,713	\$ 213,203
Benefit % to Compensation	35.54%	35.95%	36.52%	32.86%	29.80%	30.81%

* Projected Actual is based on Actual Financials as of March 31, 2015, plus 3 months of projected amounts.

CHESLA Salary & Benefits Expense
Budget for the Twelve Months Ending June 30, 2016

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual	FYE June 30, 2016 Budget
Staff Compensation	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435	\$ 151,055	\$ 159,007
Total Compensation	\$ 139,558	\$ 145,140	\$ 144,224	\$ 151,435	\$ 151,055	\$ 159,007
Payroll Taxes	\$ 10,689	\$ 11,061	\$ 10,995	\$ 11,677	\$ 11,677	\$ 12,258
Medical & Life Insurance						
CBIA Medical w/CBIA Life	6,781	9,334	7,885	3,796	3,419	3,732
Deductible Funding HSA (CHEFA)	1,875	3,750	5,625	2,812	2,813	1,875
Less: CBIA Co-insurance	(2,005)	(2,321)	(1,960)	(562)	(505)	(552)
Net Medical Insurance	6,651	10,763	11,550	6,046	5,726	5,055
CHEFA Alternative Insurance	2,800	2,800	3,033	2,800	2,800	2,800
Life Insurance	717	769	815	953	645	658
Dental	2,218	2,335	2,767	2,907	2,490	2,273
Total Medical, Life Insurance & Other	12,386	16,667	18,166	12,706	11,662	10,786
Pension						
Contributions	13,387	14,514	14,384	15,144	15,047	15,901
Administrative Fee	0	574	574	594	594	594
Total Pension	13,387	15,088	14,958	15,738	15,641	16,495
457 Plan	2,515	2,551	2,508	3,000	2,508	2,508
Vacation	5,125	0	0	0	0	0
Disability Insurance - Long Term	549	597	625	621	471	453
Disability Insurance - Short Term	570	620	649	647	579	679
Workers Compensation	351	600	748	368	379	815
Tuition	4,020	5,000	4,020	5,000	2,100	5,000
Total Employee Benefits	49,592	52,184	52,668	49,757	45,017	48,994
Total Employment	\$ 189,150	\$ 197,324	\$ 207,887	\$ 201,192	\$ 196,072	\$ 208,001

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2016

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual	FYE June 30, 2016 Budget
Lease & Storage						
Lease - Office Space	\$ 8,329	\$ 12,048	\$ 12,048	\$ 12,362	\$ 12,388	\$ 12,668
Lease - Taxes/CAM fees	0	0	29	196	87	1,437
Offsite Storage & Filesanywhere (electronic storage)	321	400	433	114	100	114
Total Lease & Storage	8,650	12,448	12,509	12,672	12,575	14,219
Business Insurance						
Office Package	1,103	642	608	653	587	677
Cyber Policy	0	10,000	4,563	6,567	5,909	5,609
Fiduciary & Performance Bond & Terrorism	86	150	48	303	277	445
Directors and Officers Liability / Public Officials	25,489	33,540	18,723	16,753	13,652	14,591
Total Business Insurance	26,678	44,332	23,943	24,276	20,424	21,323
Office Supplies and Non Capital Equipment						
General Office Expense and Supplies	983	1,200	1,350	1,300	877	1,300
Non-Capital furniture, Equipment & Software Licensing	5,555	500	654	1,000	316	3,060
Total Office Supplies and Non Capital Equip	6,538	1,700	2,004	2,300	1,193	4,360
Communications: Telephone & Internet						
Phone, Data Svc & Conferencing	2,677	2,616	2,650	2,600	2,199	2,600
Website Development & Hosting	361	452	268	500	488	500
Total Communications: Phone & Internet	3,037	3,068	2,917	3,100	2,687	3,100
Postage Expense						
Postage & Courier Expense	2,842	2,750	2,568	2,761	3,616	3,000
Maintenance Contracts	4,769	5,534	5,635	5,277	5,099	6,058
Publications & Resource Materials	0	500	144	500	144	300
Marketing Costs						
Advertising	4,240	20,000	17,174	20,000	18,450	22,000
Brochures	999	1,000	972	1,000	1,000	1,000
Fees - Exhibit/Sponsorship	300	1,000	450	1,000	2,300	3,500
Promotional Items - Exhibit/Sponsorship	548	1,000	625	1,000	477	2,000
Community Programs	3,000	6,000	3,000	6,000	3,300	4,000
Misc Marketing	913	6,000	109	5,000	3,476	5,000
Total Marketing Costs	10,001	35,000	22,330	34,000	29,003	37,500
Miscellaneous						
ADP Payroll Service	1,270	1,300	1,314	1,350	1,405	1,450
Bank Fees & Safe Deposit Box	155	150	297	150	150	150
Staff Activities	0	125	0	500	0	0
Miscellaneous	1,917	2,391	23	1,000	0	500
Total Miscellaneous	3,342	3,966	1,633	3,000	1,555	2,100
Total General and Administrative Expenses	\$ 65,856	\$ 109,298	\$ 73,683	\$ 87,886	\$ 76,294	\$ 91,960
Bond Insurance Cost - Amortization	29,507	25,627	25,627	22,227	22,227	29,795
Bond Issuance Costs	700,197	0	300,000	0	0	0
Total Bond Issuance Cost	\$ 729,704	\$ 25,627	\$ 325,627	\$ 22,227	\$ 22,227	\$ 29,795

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2016

	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual	FYE June 30, 2016 Budget
Depreciation		\$ 0		\$ 0	0	\$ 0
Employee Reimbursable						
Staff business and travel expenses	1,458	750	268	750	92	500
Total Employee Reimbursable	1,458	750	268	750	92	500
Board Expense						
Board lunches	1,024	1,500	830	1,500	691	1,000
Board education	0	1,000	-	1,000	0	0
Total Board Expense	1,024	2,500	830	2,500	691	1,000
Conference & Education Expense						
CAPFAA	1,197	1,000	1,606	1,500	1,279	1,500
EFC	635	4,000	1,859	3,000	2,003	2,750
EASFAA	102	1,000	0	1,000	0	0
NASFAA	2,463	2,500	2,049	3,500	3,268	5,000
Other (Conferences and non tuition education)	27	1,000	99	1,000	0	1,000
Total Conference & Education Expense	4,424	9,500	5,612	10,000	6,549	10,250
Education - Board	-	-	0	0	0	0
Total Business Education, Board and Reimbursable	\$ 6,905	\$ 12,750	\$ 6,710	\$ 13,250	\$ 7,332	\$ 11,750
Memberships Dues	\$ 6,112	\$ 14,500	\$ 11,644	\$ 14,500	\$ 11,570	\$ 12,500
CHEFA Support Services	\$ 106,179	\$ 142,874	\$ 142,874	\$ 149,587	\$ 149,587	\$ 154,955

CHESLA Non Salary Expense
Budget for the Twelve Months Ending June 30, 2016

	FYE June 30, 2013 Budget	FYE June 30, 2013 Actual	FYE June 30, 2014 Budget	FYE June 30, 2014 Actual	FYE June 30, 2015 Budget	FYE June 30, 2015 Proj Actual	FYE June 30, 2016 Budget
Accounting Systems							
Enhancements (IT)	0	197	1,000	374	1,000	-	1,000
Total Accounting and IT Systems	0	197	1,000	374	1,000	0	1,000
Consultant Others							
Beers Hamerman & Co.	15,140	15,950	0	0	0	0	0
CCIC	26,500	26,500	0	0	0	0	0
Insurance Consultant	0	0	8,000	8,000	8,000	8,000	6,300
Total Consultant Others	41,640	42,450	8,000	8,000	8,000	8,000	6,300
Legal	80,000	80,000	0	0	0	0	0
Independent Auditors	34,000	34,000	27,000	26,250	27,038	27,038	31,500
Total Outside Services	\$ 155,640	\$ 156,647	\$ 36,000	\$ 34,624	\$ 36,038	\$ 35,038	\$ 38,800

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

FINANCIAL STATEMENTS
JUNE 30, 2015

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

FINANCIAL STATEMENTS
JUNE 30, 2015

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of a Matter

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Report on Other Legal and Regulatory Requirements

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

Crawe Horwath LLP

Simsbury, Connecticut
October 21, 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other highlights for FY 2015 are as follows:

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

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

Other statistics for FY 2014 are as follows:

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

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

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

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

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

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

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

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

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

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

Current unrestricted assets

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

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

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

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

Current restricted assets

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

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

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

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

Non-current assets

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

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

Liabilities

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

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

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

Net position

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

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

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

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

Operating revenues

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

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

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

Operating expenses

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

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

Non-operating revenues/(expenses)

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

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

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

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY (CHESLA)

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

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

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

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

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

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

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

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

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

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Current unrestricted assets

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

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

Current restricted assets

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

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

Non-current assets

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

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

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

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

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

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

Liabilities

Current Liabilities

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2015
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Long-Term Liabilities

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

Net Position

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

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

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

Revenues

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

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

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Expenses

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

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

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

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

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

CONNECTICUT STUDENT LOAN FOUNDATION (CSLF)

2015 Highlights and Events

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

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

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

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

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

Overview of the financial statements

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

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

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

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

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

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

Revenues

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

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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2015
(Amounts Expressed in Thousands)

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

Expenses

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

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

Change in Net Position

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

Currently known facts, decisions or conditions

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

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

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

CONTACTING THE AUTHORITY

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

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

(Amounts Expressed in Thousands)

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

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

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

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

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

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

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

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

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

See accompanying notes to the financial statements.

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

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

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

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

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

- Invested in capital assets - For CHEFA, this category consists of capital assets, net of accumulated depreciation.
- Restricted net position - For CHEFA, This category consists of the net position whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, or through restrictions imposed by law through constitutional provisions or enabling legislation. For CHESLA, these amounts include the net position of the bond funds governed by the bond resolutions as previously discussed. For CSLF, these amounts include a portion of the net position of the Trust Estate.
- Unrestricted net position - This category consists of the net position, which do not meet the definition of the two preceding categories. With respect to CSLF, this category presents the net position that is not restricted, which includes the Trust Estate and other general operating activities. Unrestricted net position within the Trust Estate reflect amounts that are available to be released from the Trust Estate after operating expenses, based on calculations per the Bond Indenture.

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

* Exceeds 5% of total investments

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

* Exceeds 5% of total investments

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

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

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

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

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NOTE 2 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

CHESLA applies Connecticut statutes with respect to credit risk policies.

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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NOTE 2 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 3 - LOANS RECEIVABLE

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

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

- * Includes loans issued under the 1991 Series A bonds that were refunded by the 2003 Series B bonds.
- ** Includes loans issued under 1993 and 1994 Series A bonds that were refunded by the 2005 Series B bonds.
- *** Includes loans issued under the 1996 Series A bonds that were refunded by the 2006 Series A bonds.
- **** Includes loans issued under 1999 and 2000 series B bonds that were refunded by the 2010 Series A bonds.
- ***** Includes loans issued under 1999, 2000, and 2001 Series A bonds and 1998 Series A and B bonds

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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NOTE 3 - LOANS RECEIVABLE (CONTINUED)

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

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

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

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

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

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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NOTE 4 - CAPITAL ASSETS

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

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

NOTE 5 - BONDS PAYABLE

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

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

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NOTE 5 - BONDS PAYABLE (CONTINUED)

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

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

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

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

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NOTE 5 - BONDS PAYABLE (CONTINUED)

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

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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NOTE 5 - BONDS PAYABLE (CONTINUED)

The following redemptions occurred during fiscal year 2015:

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

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

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

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

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

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

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NOTE 5 - BONDS PAYABLE (CONTINUED)

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

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

NOTE 6 - CHILD CARE FACILITIES LOAN PROGRAMS

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

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

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

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

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

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

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

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NOTE 6 - CHILD CARE FACILITIES LOAN PROGRAMS (CONTINUED)

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

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

NOTE 7 - STUDENT LOAN PROGRAMS MANDATED BY STATE STATUTE

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

NOTE 8 - NET POSITION

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
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NOTE 8 - NET POSITION (CONTINUED)

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

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

NOTE 9 - STATE OF CONNECTICUT DEPOSIT REQUIREMENT

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

NOTE 10 - RELATED PARTY TRANSACTIONS

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

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

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NOTE 11 - EMPLOYEE BENEFIT PLANS

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

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

NOTE 12 - OPERATING LEASES

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

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

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

NOTE 13 - LEGAL MATTERS AND RISK MANAGEMENT

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

NOTE 14 - SPECIAL ITEM

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

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

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NOTE 14 - SPECIAL ITEM (CONTINUED)

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

NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Amounts Expressed in Thousands)

NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Authority's Response to Findings

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

Purpose of this Report

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

Crowe Horwath LLP

October 21, 2015

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
SCHEDULE OF FINDING AND RESPONSE
JUNE 30, 2015

Financial Statement Finding:

Finding 2015-001

2014 Financial Statement Restatement of Net Position – Significant Deficiency

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

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

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

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

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

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

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