

Connecticut State University System

**(The System Office, Central Connecticut State University,
Eastern Connecticut State University, Southern Connecticut State University, Western
Connecticut State University, and
Component Units)**

Combined Financial Statements

**June 30, 2008 with Summarized Financial Information
for the Year Ended June 30, 2007**

Connecticut State University System
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June 30, 2008 and 2007

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Report of Independent Auditors

To the Board of Trustees of
Connecticut State University System

In our opinion, based on our audit and the reports of other auditors, the combined financial statements listed in the accompanying index, present fairly, in all material respects, the financial position of Connecticut State University System (The System Office; Central Connecticut State University; Eastern Connecticut State University; Southern Connecticut State University and Western Connecticut State University – “CSUS”) and its aggregate discretely presented component units (affiliated foundations – “Foundations”) at June 30, 2008 and 2007, and combined revenues, expenses and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These combined financial statements are the responsibility of CSUS’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundations, which statements reflect total net assets of \$64.1 million and \$61.7 million as of June 30, 2008 and 2007, respectively, and total revenues of \$7.7 million and \$13.6 million for the years ended June 30, 2008 and 2007, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

The Management’s Discussion and Analysis on pages 3 to 15 is not a required part of the basic combined financial statements, but it is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and accordingly express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplemental information listed in the accompanying index on pages S-1 to S-8 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 23, 2008

Connecticut State University System

Management's Discussion and Analysis (Unaudited)

June 30, 2008 and 2007

Introduction

Management's Discussion and Analysis provides an overview of the comparative financial position and results of activities of the Connecticut State University System ("CSUS" or "System") and its component units for the fiscal year ended June 30, 2008 with comparative information for the fiscal years ended June 30, 2007 and 2006. It has been prepared by CSUS Management and is required supplemental information for the financial statements and the footnotes that follow this section.

CSUS is the largest comprehensive public institution of higher learning in the State of Connecticut with approximately 35,000 students and 180,000 alumni. The System's four Universities are Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury; (collectively the "Universities"). The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 160 subject areas and provide extensive opportunities for internships, community service and cultural engagement. CSUS, in total, employed more than 3,200 full time employees at June 30, 2008.

As comprehensive, fully accredited Universities, CSUS institutions are Connecticut's universities of choice for students of all ages, backgrounds, races and ethnicities. CSUS provides affordable and high quality, active learning opportunities, which are geographically and technologically accessible. CSUS graduates think critically, acquire enduring problem-solving skills and meet outcome standards that embody the competencies necessary for success in the workplace and in life.

Using the Financial Statements

CSUS's financial report includes the following financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. In accordance with Governmental Accounting Standards Board Statement No.39, *Determining Whether Certain Organizations are Component Units*, the financial report includes CSUS and certain other organizations that have a significant related party relationship with CSUS (the "component units"). The component units are the CCSU Foundation, Inc., the ECSU Foundation, Inc., the Southern Connecticut State University Foundation, Inc., the Western Connecticut State University Foundation Inc. and the Connecticut State University System Foundation, Inc. (collectively, the "Foundations"). The Foundations are related tax-exempt organizations founded to foster and promote the growth, progress and general welfare of the Universities and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Universities' endowments. However, it is important to note that the assets of these component units are not available to CSUS for use at its discretion.

Financial Highlights

At June 30, 2008, total assets of the System were \$1,343.4 million, an increase of \$69.0 million or 5.4% over the prior year amount of \$1,274.4 million, primarily due to increases in cash, cash equivalents and investments of \$8.9 million, net student receivables of \$34.0 million, Due from the State of Connecticut of \$9.5 million and net investment in plant of \$16.1 million. At June 30, 2007, total assets of the System were \$1,274.4 million, a decrease of \$3.1 million or .2% from the prior year amount of \$1,277.5 million, primarily due to a decrease in cash, cash equivalents and investments of \$10.7 million offset by an increase in net capital assets of \$7.3 million. The increase in net capital assets was indicative of the State's ongoing commitment to building construction and enhancements to existing buildings.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2008 and 2007**

Total liabilities at June 30, 2008, of \$589.3 million increased by \$22.9 million or 4.0% over the prior year level of \$566.4 million primarily due to increases in deferred revenues of \$35.4 million, accounts payable of \$2.8 million, accrued compensated absences of \$2.0 million and accrued salaries and benefits of \$3.4 million offset by a decrease in bonds payable of \$18.8 million. Total liabilities at June 30, 2007, of \$566.4 million decreased by \$20.1 million or 3.4% from the prior year level of \$586.5 million primarily due to a decrease in bonds as a result of \$19.5 million in bond payments and a decrease of \$2.6 million in bond premium due to amortization plus write-offs in connection with the fiscal year 2007 bond refunding.

At June 30, 2008, total net assets, which represent the residual interest in the System's assets after liabilities are deducted, were \$754.0 million, an increase of \$46.0 million or 6.5% over last fiscal year's net assets of \$708.0 million. In fiscal year 2008, the System had an increase in the amount of change in net assets of \$29.0 million compared to fiscal year 2007. This increase was primarily due to increases in state appropriations of \$29.2 million offset by a reduction in investment income of \$1.9 million. At June 30, 2007, total net assets were \$708.0 million, an increase of \$17.0 million or 2.5% over the prior fiscal year's net assets of \$691.0 million. During the fiscal year, the System experienced a \$64.8 million reduction in the amount of change in net assets compared to fiscal year 2006. This reduction was primarily due to decreases in State financed plant facilities of \$60.9 million and State appropriations for capital purchases of \$6.1 million offset by an increase in investment income of \$1.1 million.

Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2008 and 2007

Statement of Net Assets

SUMMARY OF NET ASSETS					
June 30, 2008, 2007 and 2006					
(\$ In millions)					
				\$	%
	2008	2007	2006	Increase (Decrease) 07-08	Increase (Decrease) 07-08
Current Assets	\$343.6	\$288.1	\$279.3	\$55.5	19.3
Non-Current Assets:					
Capital Assets, net	860.9	844.8	837.5	16.1	1.9
Other	138.9	141.5	160.7	(2.6)	(1.8)
Total Assets	1343.4	1274.4	1,277.5	69.0	5.4
Current Liabilities	251.1	210.5	210.2	40.6	19.3
Non-current liabilities	338.2	355.9	376.3	(17.7)	(5.0)
Total Liabilities	589.3	566.4	586.5	22.9	4.0
Net Assets					
Investment in Plant – Net of Related Debt	645.6	618.9	616.3	26.7	4.3
Restricted					
Expendable	28.8	27.3	28.5	1.5	5.5
Non-expendable	1.0	.9	.5	.1	11.1
Total Restricted	29.8	28.2	29.0	1.6	5.7
Unrestricted	78.6	60.9	45.7	17.7	29.1
Total Net Assets	\$754.0	\$708.0	\$691.0	\$46.0	6.5

Current assets at June 30, 2008 of \$343.6 million increased by \$55.5 million or 19.3% primarily due to increases in student receivables of \$34.0 million, cash, cash equivalents and investments of \$11.9 million and Due from the State of Connecticut of \$9.5 million. Total current assets represent coverage of current operating expenses excluding depreciation and amortization for approximately seven months. The System's current ratio of 1.4:1 at the end of the fiscal year was similar to last fiscal year.

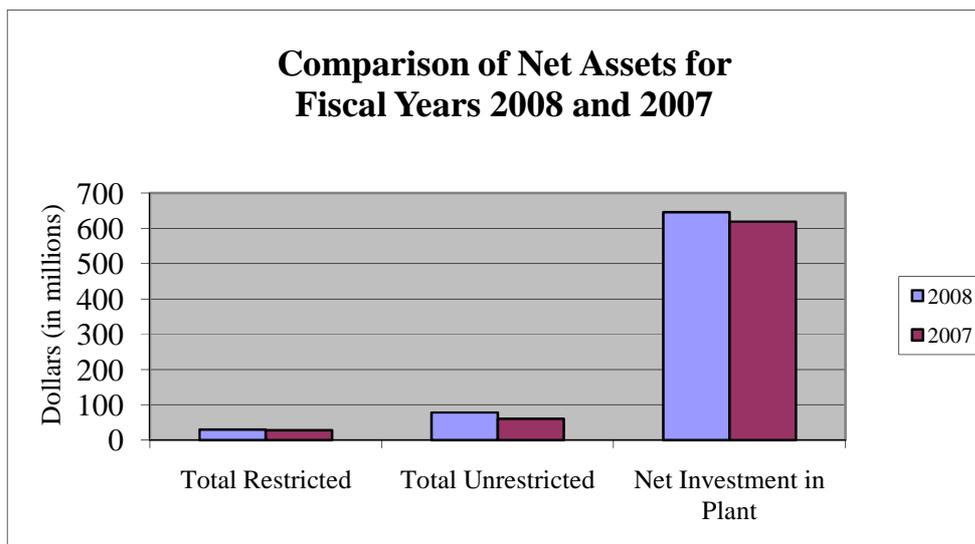
Current assets at June 30, 2007 of \$288.1 million increased by \$8.8 million or 3.1% primarily due to increases in cash of \$14.4 million offset by decreases in investments of \$6.2 million. Total current assets represented coverage of current operating expenses excluding depreciation and amortization for approximately seven months. The System's current ratio at the end of the fiscal year was 1.4:1 compared to the June 30, 2006 level of 1.3:1.

Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2008 and 2007

Total non-current assets at June 30, 2008, of \$999.8 million increased by \$13.5 million or 1.4% over the fiscal year 2007 level of \$986.3 million primarily due to the increase in net additions to capital assets of \$16.1 million offset by a reduction in non-current cash and cash equivalents of \$3.0 million. Total non-current assets at June 30, 2007, of \$986.3 million decreased by \$11.9 million or 1.2% from the fiscal year 2006 level of \$998.2 million. This decrease was primarily due to reductions in non-current cash and investments of \$18.9 million offset by net additions to capital assets of \$7.3 million.

Net assets invested in capital assets, net of related debt, represent the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets are divided into two classifications, expendable and nonexpendable. Restricted expendable net assets are subject to externally imposed restrictions governing their use. In the System, they represent the residual balances of the System's bond funds and unexpended grant funds. Restricted nonexpendable net assets comprise the System's permanent funds such as the Endowment Fund.



**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2008 and 2007**

NET INVESTMENT IN PLANT					
June 30, 2008, 2007 and 2006					
(\$ In millions)					
	2008	2007	2006	\$	%
				Increase (Decrease) 07-08	Increase (Decrease) 07-08
Land	\$18.4	\$18.5	\$18.5	\$ (.1)	(.5)
Buildings & Improvements	1,005.3	953.2	910.7	52.1	5.5
Land Improvements	76.2	71.7	70.3	4.5	6.3
Furniture, Fixtures & Equipment	125.4	116.1	110.2	9.3	8.0
Library books and materials	58.2	56.6	54.0	1.6	2.8
Construction in progress	17.9	33.7	44.8	(15.8)	(46.9)
Total Investment in Plant	1,301.4	1,249.8	1,208.5	51.6	4.1
Less Accumulated Depreciation	440.5	405.0	371.0	35.5	8.8
Investment in Plant, Net of Depreciation	\$860.9	\$844.8	\$837.5	\$16.1	1.9

At fiscal year end June 30, 2008, the System had \$1,301.4 million invested in plant assets, an increase of \$51.6 million or 4.1% over the fiscal year end 2007 level of \$1,249.8 million. This increase was primarily due to the completion of an addition to an existing library at one of our universities and other major enhancements of existing buildings during the fiscal year. Total additions to depreciable capital assets of \$74.2 million during the fiscal year were indicative of the State's strong commitment to long term capital investment at the CSUS Universities.

At fiscal year end June 30, 2007, the System had \$1,249.8 million invested in plant assets, an increase of \$41.3 million or 3.4% over the fiscal year end 2006 level of \$1,208.5 million. This increase was primarily due to major enhancements of existing buildings during the fiscal year. Total additions to depreciable capital assets during the fiscal year were \$57.7 million.

In 1997, Governor John Rowland committed to support \$320 million in general obligation bonding for capital projects and information technology equipment over a five-year period for CSUS. Between July 1, 1997 and June 30, 2002, approximately \$352.2 million was allocated by the State Bond Commission specifically for capital projects and information technology equipment for the System. In 2001, Governor Rowland announced his support to extend his commitment to the System for an additional five-year period during which the State would commit to support \$400 million in general obligation bonding. During fiscal years 2003 and 2004, under Governor Rowland's administration, and during fiscal years 2005, 2006, and 2007, under Governor M. Jodi Rell's administration, an additional \$279.2 million was allocated by the Bond Commission for CSUS capital projects.

In November 2007, Governor Rell signed Public Act 07-7, "An Act Authorizing and Adjusting Bonds of the State for Capital Improvements and Transportation Infrastructure Improvements and Concerning the Connecticut State University Infrastructure Act" which authorized \$80 million for CSUS capital projects. Of that amount, \$41.7 million was allocated by the Bond Commission during 2008, bringing the total amount of allocations to CSUS between 1997 and 2008 to \$673.2 million.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
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Public Act 07-7 also established a \$950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS universities. Effective July 1, 2008, this program, known as "CSUS 2020", provides CSUS with additional flexibility in the allocation of bond funds, through the one time allocation of \$950 million, with allotments approved annually by the Governor, thus allowing for more timely completion of major university construction projects.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the twelfth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Funds available from six CHEFA bond issues totaled \$375.4 million. In addition, \$49.5 million was issued in February 2004, \$48.5 million was issued in June 2005 and \$62.8 million was issued in April 2007 to refund selected maturities from prior CHEFA bond issues. The auxiliary service capital plan was last reviewed and updated in 2005 and requires approximately \$100.9 million in additional funds to finance projects identified through fiscal year 2009. Funding for the \$100.9 million program includes \$5 million per year provided by the State in general obligation bonds to finance auxiliary service projects that otherwise would be financed by the System through CHEFA.

Statement of Revenues, Expenses and Changes in Net Assets

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS June 30, 2008, 2007 and 2006 (\$ In millions)					
	2008	2007	2006	\$	%
				Increase (Decrease) 07-08	Increase (Decrease) 07-08
Operating Revenues					
Tuition and fees	\$205.5	\$190.5	\$179.1	\$15.0	7.9
Auxiliary revenues	79.0	74.6	67.9	4.4	5.9
Grants & Indirect Cost Recoveries	50.1	44.4	43.7	5.7	12.8
Other	15.5	17.7	13.6	(2.2)	(12.4)
Total Operating Revenues	350.1	327.2	304.3	22.9	7.0
Less: Operating Expenses before depreciation and amortization	568.2	529.8	496.9	38.4	7.2
Depreciation	42.3	40.8	38.8	1.5	3.7
Amortization	.4	.4	.3	-	-
Operating Loss	(260.8)	(243.8)	(231.7)	(17.0)	(7.0)
Non-Operating Revenues and Other					
State Appropriations	266.1	236.9	229.9	29.2	12.3
Investment Income	11.7	13.6	12.5	(1.9)	(14.0)
Other	29.0	10.3	71.1	18.7	181.6

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
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Total Non-Operating Revenues	306.8	260.8	313.5	46.0	17.6
Increase in Net Assets	46.0	17.0	81.8	29.0	170.6
Net Assets, beginning of year	708.0	691.0	609.2	17.0	2.5
Net Assets, end of year	\$754.0	\$708.0	\$691.0	\$46.0	6.5

In fiscal year 2008, total revenues of \$656.9 million increased by \$68.9 million or 11.7% compared to the fiscal year 2007 level of \$588.0 million. Operating revenues of \$350.1 million at June 30, 2008 increased by \$22.9 million or 7.0% from the previous year, primarily due to increases in tuition and fees of \$15.0 million and Federal and State grants of \$5.5 million. The increase in tuition and fees over the prior year is due to a 7.2% increase in in-state undergraduate tuition and required fees coupled with a 1.4% increase in total annualized FTE enrollment. In fiscal year 2007, total revenues of \$588.0 million decreased by \$29.8 million or 4.8% compared to the fiscal year 2006 level of \$617.8 million. Operating revenues of \$327.2 million at June 30, 2007 increased by \$22.9 million or 7.5% from the previous year, primarily due to increases in tuition and fees of \$11.4 million, auxiliary income of \$6.7 million and other operating revenues of \$4.1 million. The increase in tuition and fees over the prior year was due to a 5.9% increase in in-state undergraduate tuition and required fees coupled with a 1.5% increase in total annualized FTE enrollment.

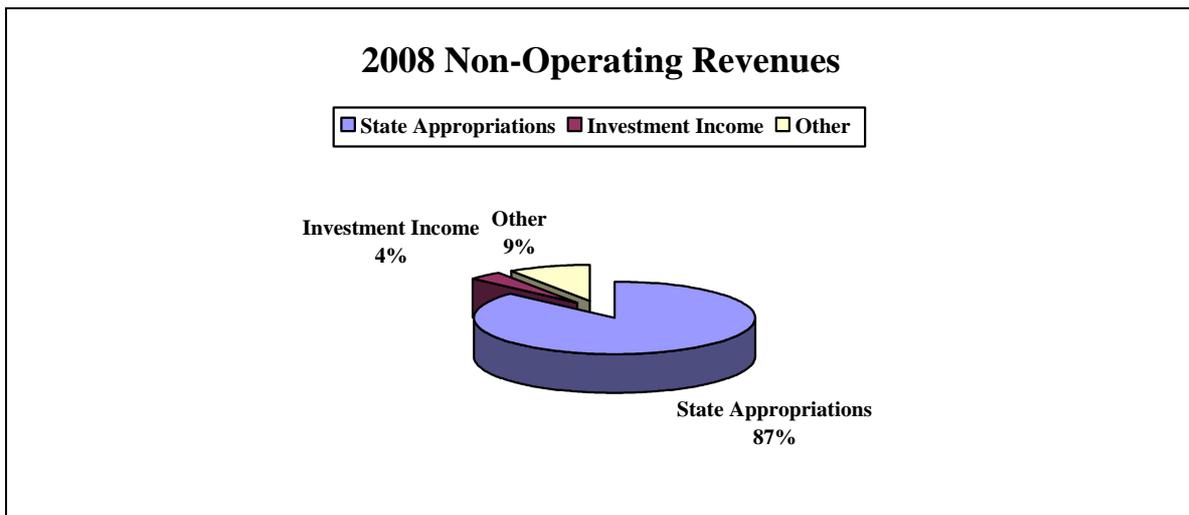
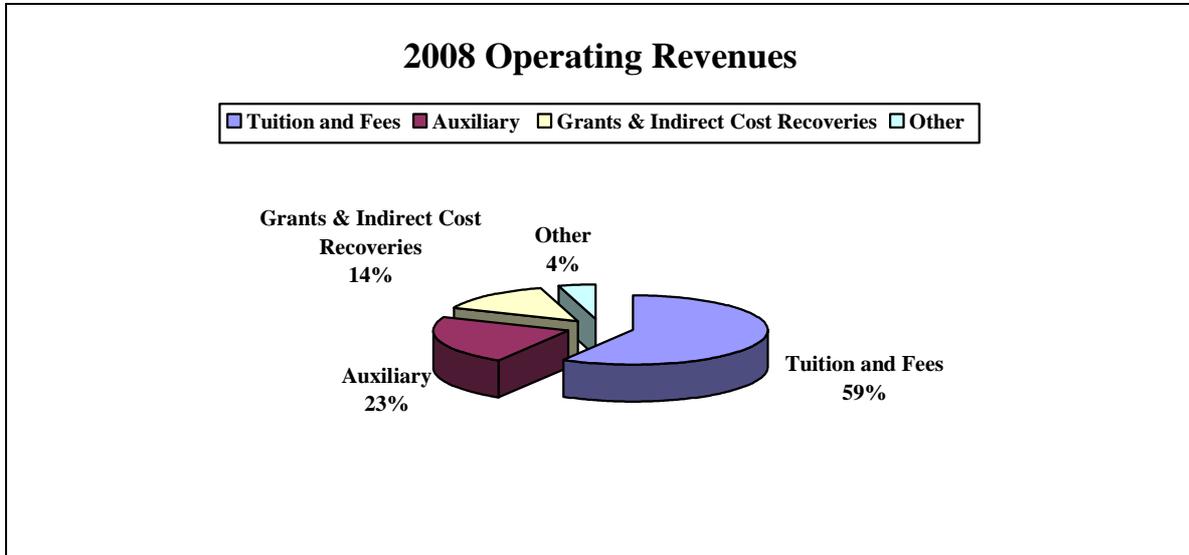
In fiscal year 2008, state appropriations of \$266.1 million, representing 40.5% of the System's total revenues, were \$29.2 million or 12.3% above fiscal year 2007. State appropriations are received for both operating and capital purposes. In the current year the System earned \$241.3 million for operating purposes and \$24.8 million for capital purposes. These receipts were 6.7% and 128.9% above the prior year levels, respectively. The majority of the State appropriation dollars for operating purposes are used to fund salaries and fringe benefits. Approximately 65% of the System's salary and fringe benefit costs are funded from State appropriations. The receipt of title to plant facilities of \$25.4 million during the fiscal year increased by \$18.2 million or 253.8% from the prior year's level of \$7.2 million. The increase was due to the completion of a major addition to a library at one of our universities.

Investment income of \$11.7 million decreased by \$1.9 million or 14.0% below fiscal year 2007. This decrease in investment income was due to a 55% decrease in interest rates during fiscal year 2008.

The following graphs display the components of the System's revenues:

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2008 and 2007**

Revenue by Source



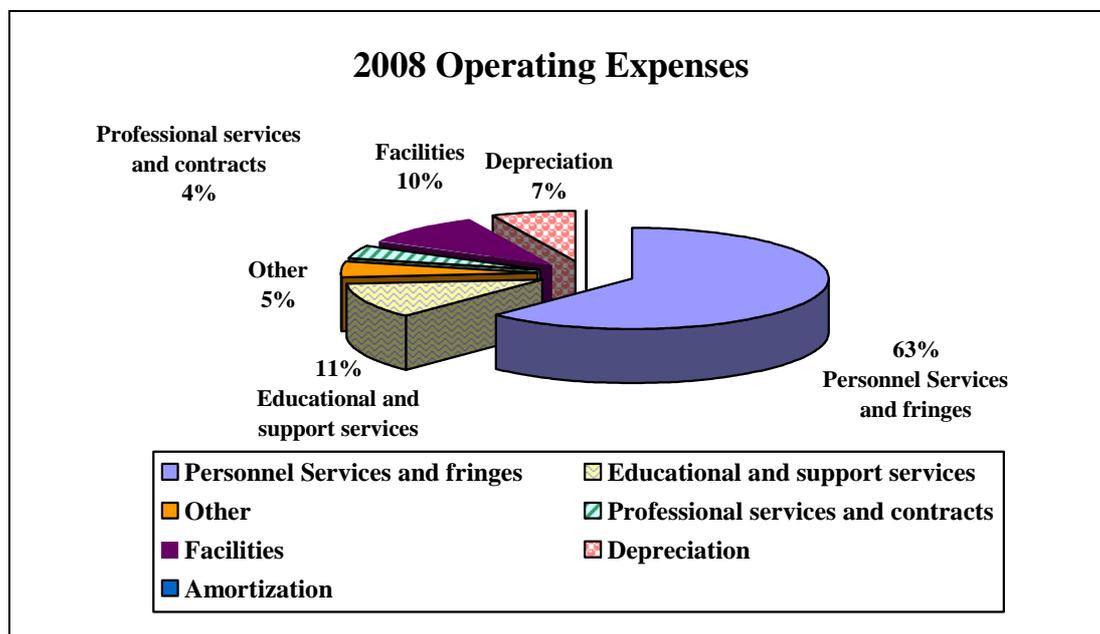
**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
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OPERATING EXPENSES					
June 30, 2008, 2007 and 2006					
(\$ In millions)					
				\$	%
	2008	2007	2006	Increase (Decrease) 07-08	Increase (Decrease) 07-08
Operating Expenses					
Personnel service and fringes	\$379.8	\$356.5	\$336.1	\$23.3	6.5
Professional services and contracts	24.5	23.6	22.3	.9	3.8
Educational and support services	69.4	61.5	56.3	7.9	12.8
Facilities	63.1	59.2	54.6	3.9	6.6
Other	31.4	29.0	27.6	2.4	8.3
Depreciation	42.3	40.8	38.8	1.5	3.7
Amortization	.4	.4	.3	-	-
Total Operating Expenses	\$610.9	\$571.0	\$536.0	\$39.9	7.0

For the year ended June 30, 2008, total operating expenses less depreciation and amortization of \$568.2 million increased by \$38.4 million or 7.2% over the prior fiscal year. Personnel services and fringes increased by \$23.3 million or 6.5% due to annual employee increases ranging between 4% and 6% as well as strategic hiring of certain key positions primarily in the area of faculty. Education and support services increased by \$7.9 million due to the high level of financial aid granted to students during the year; and facilities increased by \$3.9 million, primarily reflecting increased energy costs during the year. For the year ended June 30, 2007, total operating expenses less depreciation and amortization of \$529.8 million increased by \$32.9 million or 6.6% over the prior fiscal year. Personnel services and fringes increased by 6.1% due to annual employee increases ranging between 4% and 6% as well as the hiring of certain key positions in the areas of faculty, academic support, and student support. Education and support services increased by \$5.2 million due to the high level of financial aid granted to students during the year; and facilities increased by \$4.6 million, primarily reflecting increased energy costs during the year.

Note 13 to the financial statements details operating expenses by function. The pie chart below illustrates operating expenses by natural classification.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
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Statement of Cash Flows

STATEMENT OF CASH FLOWS					
June 30, 2008, 2007 and 2006					
(\$ In millions)					
				\$	%
	2008	2007	2006	Increase (Decrease) 07-08	Increase (Decrease) 07-08
Cash provided (used) by					
Operating Activities	\$(211.8)	\$(197.5)	\$(178.4)	(14.3)	(7.2)
Non-Capital Financing Activities	238.1	228.3	214.6	9.8	4.3
Capital & Related Financing Activities	(29.8)	(54.8)	(75.0)	25.0	45.6
Investing Activities	12.2	20.5	74.7	(8.3)	(40.5)
Net Increase (Decrease) in Cash	8.7	(3.5)	35.9	12.2	348.6
Cash, beginning of year	211.2	214.7	178.8	(3.5)	(1.6)
Cash, end of year	\$219.9	\$211.2	\$214.7	8.7	4.1

The System's net increase in cash and cash equivalents at June 30, 2008 of \$12.2 million or 348.6% was primarily due to increases in state operating and capital appropriations of \$18.2 million and the repayment and refunding of capital debt of \$2.8 million offset by decreases in proceeds from sales of investments of \$7.5 million and investment income of \$.7 million.

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Enrollment

The following table indicates historical enrollment of undergraduate and graduate students for the 2003-2004 through 2007-2008 academic years. Also indicated is full-time equivalent student enrollment.

Fall Headcount Enrollment and Annual Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Annual Full Time Equivalent	% Change
2008	28,564	.2%	6,820	(6.5%)	35,384	(1.1%)	26,922	1.4%
2007	28,503	2.1%	7,292	(3.6%)	35,795	0.9%	26,547	1.5%
2006	27,927	0.5%	7,566	(2.5%)	35,493	(0.1%)	26,146	1.6%
2005	27,775	1.1%	7,762	(2.6%)	35,537	0.3%	25,746	2.0%
2004	27,476	(2.7%)	7,972	0.9%	35,448	(1.9%)	25,246	0.8%

Student Admissions

The table below shows the total of new freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of 2003 through 2007.

Fall Semester First Year Student Admissions					
Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2008	19,907	57.1%	11,360	40.0%	4,539
2007	18,044	57.2%	10,321	43.9%	4,536
2006	17,059	60.2%	10,278	41.7%	4,291
2005	16,860	61.5%	10,367	41.2%	4,272
2004	17,060	57.3%	9,783	41.6%	4,072

Economic Outlook

Operating revenues increased in fiscal year 2008 and are expected to increase in fiscal year 2009. Full time equivalent (FTE) enrollment at the System has increased every year since fiscal year 1996, and is at an all-time high; FTE enrollment for the fall 2008 semester continued this upward trend.

The most significant economic factor impacting CSUS continues to be the fiscal stability of the State of Connecticut. The total of tuition, fees and State appropriations accounted for 71.8% of the total revenues of the System in 2008. The System received \$234.5 million in State appropriations for operating activities in fiscal year 2008, and currently anticipates appropriations of \$242.2 million in fiscal year 2009.

The State of Connecticut is currently facing a challenging fiscal condition. The State ended the 2008 fiscal year with a surplus of \$83.4 million; however, progressively worsening deficits are projected for FY2009 through FY2012. Connecticut's economic indicators resemble those of the rest of the country. The leading and coincident employment indexes for Connecticut both show declines from the prior year and the prior quarter, and the trend of the leading general economic

Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2008 and 2007

drift indicator is negative. The state's unemployment rate of 6.5 percent is at a 15-year high. Advance retail sales are down 4.1 percent from last year and corporate profits continue to show negative results. Existing home sales are at a 12-year low in the state.

Nationally, the economic indicators are ominous. Given the recent intensification and broadening of the global financial crisis, the Federal Reserve expects that real GDP growth will remain very weak through 2009 and that the subsequent pace of recovery will be slow; it is also anticipated that the national unemployment rate will increase through 2009.

CSUS fully expects that the amount of State appropriation available for operating purposes in the next few years will be reduced. At the same time, CSUS must be ready to serve an ever-growing population of current and potential students. It is projected that more and more families will turn to public higher education as the recession continues. In addition, in fiscal year 2007 a Memorandum of Understanding was signed between the four institutions of the Connecticut State University System and the twelve institutions of the Connecticut Community College system, dramatically improving the ease of transfer from Connecticut's community colleges to CSUS institutions. As a result of these factors, CSUS expects enrollment to continue growing at a record pace.

CSUS is well positioned to meet the coming challenges. It has actively engaged in a proactive analytical process to identify how it will deal with anticipated funding reductions, and has voluntarily adopted measures to curtail spending, while maintaining a quality educational experience for its students.

CSUS increased tuition and required fees on average by 7.2% in fiscal year 2008. However, in order to ensure that a CSUS education continues to be accessible and affordable, the System also processed \$13.3 million more in financial aid than was budgeted during the fiscal year. CSUS remains committed to its mission of access and affordability.

During fiscal year 2008, construction commenced on a new police station at one university. In addition, at the same university construction was completed on a new science building as well as the expansion and renovation of an existing student center and, at another university, on an addition to an existing library. Construction projects currently underway at the universities include the comprehensive renovation of an existing residence hall and renovations to an existing library.

In the Fall of fiscal year 2008, the Legislature passed and the Governor approved an historic \$950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS universities. This program, known as "CSUS 2020", provides additional flexibility in the allocation of bond funds, thus allowing for more timely completion of major university construction projects. Projects anticipated during the 10-year program include new Fine Arts Instructional Centers at three universities, the complete renovation and expansion of library facilities at the System's oldest university, and the construction or renovation of several academic and support facilities Systemwide.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2008 and 2007**

The System is confident that it will meet the challenges and take advantage of the opportunities that will present themselves in the future, and continue to provide high-quality, accessible and affordable learning to its students and the citizens of the State of Connecticut.

Connecticut State University System
Combined Statements of Net Assets
June 30, 2008 and 2007

	2008	2007
Assets		
Current assets		
Cash and cash equivalents (Notes 2 and 12)	\$ 119,897,477	\$ 108,237,052
Investments (Note 2)	14,619,515	14,370,704
Student receivables	146,537,424	111,919,608
Allowance-doubtful student receivables	<u>(5,672,327)</u>	<u>(5,085,776)</u>
Student receivables, net (Note 3)	140,865,097	106,833,832
Student loans receivable (Notes 3 and 4)	2,004,386	2,342,372
Grants receivable, net (Note 3)	1,499,028	1,699,929
Miscellaneous receivables, net (Note 3)	1,065,225	939,858
Due from the State of Connecticut (Notes 1 and 5)	62,266,222	52,777,206
Prepaid expenses and other current assets	<u>1,402,369</u>	<u>883,905</u>
Total current assets	<u>343,619,319</u>	<u>288,084,858</u>
Noncurrent assets		
Cash and cash equivalents (Notes 2 and 12)	99,968,391	102,989,745
Investments (Note 2)	26,667,944	26,666,419
Student loans receivable	11,634,278	10,753,717
Allowance-doubtful loan receivables	<u>(2,715,580)</u>	<u>(2,727,885)</u>
Loans receivable, net (Notes 3 and 4)	8,918,698	8,025,832
Other assets	3,271,628	3,880,383
Investment in plant	1,301,445,496	1,249,782,746
Accumulated depreciation	<u>(440,512,037)</u>	<u>(405,003,390)</u>
Investment in plant, net of accumulated depreciation (Note 6)	<u>860,933,459</u>	<u>844,779,356</u>
Total noncurrent assets	<u>999,760,120</u>	<u>986,341,735</u>
Total assets	<u>\$ 1,343,379,439</u>	<u>\$ 1,274,426,593</u>

The accompanying notes are an integral part of these combined financial statements.

Connecticut State University System
Combined Statements of Net Assets
June 30, 2008 and 2007

(Continued)

	2008	2007
Liabilities		
Current liabilities		
Accounts payable	\$ 11,756,671	\$ 8,971,717
Accrued salaries and benefits	47,592,160	44,151,876
Accrued compensated absences (Note 7)	1,994,034	1,589,657
Due to the State of Connecticut	2,929,797	2,343,630
Deferred revenue (Note 9)	157,601,204	122,210,164
Bonds payable (Note 8)	19,424,805	18,841,579
Accrued bond interest payable	2,104,453	2,258,626
Capital lease obligation (Note 8)	22,636	59,749
Other liabilities	3,758,933	6,051,960
Depository accounts	3,941,144	3,965,261
Total current liabilities	251,125,837	210,444,219
Noncurrent liabilities		
Accrued compensated absences (Note 7)	31,312,230	29,737,080
Bonds payable (Note 8)	296,911,224	316,256,145
Federal loan program advances	9,777,097	9,777,096
Deferred compensation (Note 8)	201,540	134,353
Capital lease obligation (Note 8)	7,953	24,856
Total noncurrent liabilities	338,210,044	355,929,530
Total liabilities	589,335,881	566,373,749
Net Assets		
Invested in capital assets, net of related debt	645,613,511	618,919,529
Restricted		
Nonexpendable	1,047,116	886,046
Expendable	28,839,068	27,382,861
Unrestricted	78,543,863	60,864,408
Total net assets	754,043,558	708,052,844
Total liabilities and net assets	\$ 1,343,379,439	\$ 1,274,426,593

The accompanying notes are an integral part of these combined financial statements.

Connecticut State University System
Combined Statements of Net Assets – Component Units
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents (Note 2)	\$ 4,184,190	\$ 4,168,502
Investments (Note 2)	55,102,673	51,409,700
Contributions and other receivables (Note 3)	842,954	2,555,309
Prepaid expenses and other assets	1,099,060	974,483
Investment in plant, net (Note 6)	3,420,654	3,281,870
Total assets	<u>\$ 64,649,531</u>	<u>\$ 62,389,864</u>
Liabilities		
Accounts payable	\$ 142,988	\$ 151,125
Custodial obligation payable	102,575	175,705
Other liabilities	224,723	349,287
Long-term debt (Note 8)	34,310	48,658
	<u>504,596</u>	<u>724,775</u>
Net assets		
Permanently restricted	48,565,583	43,530,166
Temporarily restricted	14,273,300	16,562,471
Unrestricted	1,306,052	1,572,452
Total net assets	<u>64,144,935</u>	<u>61,665,089</u>
Total liabilities and net assets	<u>\$ 64,649,531</u>	<u>\$ 62,389,864</u>

The accompanying notes are an integral part of these combined financial statements.

Connecticut State University System
Combined Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007

	2008	2007
Operating revenues		
Tuition and fees		
Tuition and fees	\$ 233,061,866	\$ 216,792,588
Less		
Scholarships allowance	17,278,355	16,163,542
Waivers	10,251,839	10,140,047
Tuition and fees, net of scholarship allowances and waivers	<u>205,531,672</u>	<u>190,488,999</u>
Federal grants and contracts	31,351,608	29,947,475
State and local grants and contracts	15,266,943	11,200,898
Nongovernment grants and contracts	2,704,566	2,621,821
Indirect cost recoveries	689,376	656,936
Auxiliary revenues	78,981,651	74,633,002
Other operating revenues	<u>15,532,482</u>	<u>17,694,332</u>
Total operating revenues	<u>350,058,298</u>	<u>327,243,463</u>
Operating expenses (Note 13)		
Personnel service and fringe benefits	379,749,922	356,486,132
Professional services and fees	24,536,615	23,606,259
Educational services and support	69,340,490	61,445,953
Travel expenses	7,124,652	6,361,055
Operation of facilities	63,135,226	59,196,689
Other operating supplies and expenses	24,310,011	22,648,444
Depreciation expense	42,259,816	40,819,057
Amortization expense	<u>393,934</u>	<u>443,239</u>
Total operating expenses	<u>610,850,666</u>	<u>571,006,828</u>
Operating loss	<u>(260,792,368)</u>	<u>(243,763,365)</u>
Nonoperating revenues		
State appropriations	241,293,360	226,046,841
Gifts	834,868	640,343
Investment income	11,658,034	13,610,233
State financed plant facilities (Note 1)	25,364,105	7,169,213
Other nonoperating revenues	<u>2,794,161</u>	<u>2,486,113</u>
Net nonoperating revenues	<u>281,944,528</u>	<u>249,952,743</u>
Increase in net assets before other revenues, expenses, gains and losses	21,152,160	6,189,378
State appropriations restricted for capital purposes	<u>24,838,554</u>	<u>10,852,529</u>
Net increase in net assets	<u>45,990,714</u>	<u>17,041,907</u>
Net assets (Note 1)		
Net assets - beginning of year	<u>708,052,844</u>	<u>691,010,937</u>
Net assets - end of year	<u>\$ 754,043,558</u>	<u>\$ 708,052,844</u>

The accompanying notes are an integral part of these combined financial statements.

Connecticut State University System
Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units
Years Ended June 30, 2008 and 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008	2007
Revenues, gains and other support					
Contributions	\$ 1,099,781	\$ 2,711,031	\$ 6,501,415	\$ 10,312,227	\$ 5,945,930
State grants	-	-	371,660	371,660	1,298,818
Program income	127,285	243,212	18,906	389,403	347,262
Investment income	41,047	1,835,128	197	1,876,372	2,530,175
Gain (loss) on investments	(38,337)	(3,895,582)	(1,523,789)	(5,457,708)	3,271,561
Other income	191,102	34,723	(46,144)	179,681	215,639
Net assets released from restrictions	3,390,194	(3,311,876)	(78,318)	-	-
Total revenues, gains and other support	<u>4,811,072</u>	<u>(2,383,364)</u>	<u>5,243,927</u>	<u>7,671,635</u>	<u>13,609,385</u>
Operating expenses					
Scholarships and awards	746,657	-	-	746,657	270,675
University support	2,214,797	-	-	2,214,797	2,372,881
Auxiliary services	293,969	-	-	293,969	726,020
Academic enrichment	231,760	-	-	231,760	210,917
Fundraising	943,644	-	-	943,644	736,883
Management and general	760,962	-	-	760,962	452,065
Total operating expenses	<u>5,191,789</u>	<u>-</u>	<u>-</u>	<u>5,191,789</u>	<u>4,769,441</u>
Transfers between funds	<u>114,317</u>	<u>94,193</u>	<u>(208,510)</u>	<u>-</u>	<u>-</u>
Changes in net assets	(266,400)	(2,289,171)	5,035,417	2,479,846	8,839,944
Net assets					
Beginning of year	<u>1,572,452</u>	<u>16,562,471</u>	<u>43,530,166</u>	<u>61,665,089</u>	<u>52,825,145</u>
End of year	<u>\$ 1,306,052</u>	<u>\$ 14,273,300</u>	<u>\$ 48,565,583</u>	<u>\$ 64,144,935</u>	<u>\$ 61,665,089</u>

The accompanying notes are an integral part of these combined financial statements.

Connecticut State University System
Combined Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Tuition and fees	\$ 183,109,577	\$ 176,871,134
Grants and contracts	49,403,732	44,499,438
Auxiliary revenues	78,865,771	73,863,138
Other operating revenues	17,198,932	4,721,394
Payments to employees for salaries and benefits	(375,465,650)	(353,667,807)
Payments to suppliers	(7,425,292)	(8,596,510)
Professional services and fees	(24,345,905)	(23,646,592)
Educational services and support	(69,570,610)	(61,206,333)
Travel expenses	(7,009,199)	(6,323,679)
Operation of facilities	(62,993,990)	(43,939,721)
Other operating supplies and expenses	(15,347,408)	(20,715,745)
University fee receipts	21,739,655	20,598,109
Net cash used in operating activities	<u>(211,840,387)</u>	<u>(197,543,174)</u>
Cash flows from noncapital financing activities		
State appropriations	234,463,193	224,980,993
Gifts for other than capital purposes	824,894	601,022
Nonoperating revenue other	2,776,641	2,769,886
Net cash provided by noncapital financing activities	<u>238,064,728</u>	<u>228,351,901</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	12,921,694	28,917,236
Purchases of investments	(13,172,030)	(21,708,228)
Interest and dividends received on investments	12,490,695	13,263,490
Net cash provided by investing activities	<u>12,240,359</u>	<u>20,472,498</u>
Cash flows from capital and related financing activities		
Cash paid for capital assets	(33,685,190)	(46,924,154)
Capital appropriations received	22,313,678	13,589,476
Proceeds of new bond issuance	204,371	62,416,041
Repayments of capital debt and leases	(18,668,463)	(83,205,977)
Capital grants and gifts received	9,975	36,376
Payment on bond issuance costs	-	(717,118)
Net cash used in capital and related financing activities	<u>(29,825,629)</u>	<u>(54,805,356)</u>
Net increase (decrease) in cash and cash equivalents	8,639,071	(3,524,131)
Cash and cash equivalents, beginning of year	211,226,797	214,750,928
Cash and cash equivalents, end of year	<u>\$ 219,865,868</u>	<u>\$ 211,226,797</u>

The accompanying notes are an integral part of these combined financial statements.

Connecticut State University System
Combined Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (260,792,368)	\$ (243,763,365)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	42,259,816	40,819,057
Bad debt write-offs	389,222	754,028
Amortization	393,934	443,239
Changes in assets and liabilities:		
Receivables	(34,959,455)	(3,439,572)
Prepaid expenses and other	(322,738)	(1,536,059)
Accounts payable	2,788,155	1,720,964
Accrued salaries	3,440,283	2,576,899
Other liabilities	(2,882,864)	(1,870,744)
Due from the State of Connecticut	586,167	43,360
Deferred revenues	35,391,038	4,304,088
Deferred compensation	67,187	50,043
Deposit accounts	(24,117)	(123,343)
Accrued bond interest payable	(154,173)	(107,008)
Accrued compensated absences	1,979,526	2,585,239
Net cash used in operating activities	<u>\$ (211,840,387)</u>	<u>\$ (197,543,174)</u>
Noncash financing activity		
Fixed assets acquired by incurring capital lease obligations	\$ 253,847	\$ 29,125
Fixed assets included in accounts payable	\$ 1,134,987	\$ 1,159,973
Reconciliation of cash and cash equivalents to the combined statements of net assets		
Cash and cash equivalents classified as current assets	\$ 119,897,477	\$ 108,237,052
Cash and cash equivalents classified as noncurrent assets	<u>99,968,391</u>	<u>102,989,745</u>
	<u>\$ 219,865,868</u>	<u>\$ 211,226,797</u>

The accompanying notes are an integral part of these combined financial statements.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2008 and 2007

1. Summary of Significant Accounting Policies

Organization

The Connecticut State University System (CSUS) was established by the State of Connecticut (the State) as a constituent unit of the State's system of higher education. The statutory responsibility of CSUS, as reflected in Connecticut General Statutes Section 10a-87, is to offer, through each of its Universities, curricula that "prepare persons to teach in the schools of the state" and that support the pursuit of "academic and career fields," and to confer degrees in such areas of study.

Responsibility for CSUS is vested in the Trustees of Connecticut State University System (the Trustees) who, in turn, appoint the Chancellor and the Presidents of the Universities.

CSUS provides instruction for baccalaureate, graduate and certificate programs, including applied doctoral degree programs in education, and operates various auxiliary enterprises, such as student residences, dining halls and parking facilities. In addition, CSUS administers a variety of financial aid programs which are funded by institutional operating funds and contributions from state and federal sources.

Basis of Presentation

The combined financial statements include the statements of CSUS and its aggregate discretely presented component units. The combined statements of CSUS present the combined financial position of the four Universities (Central, Eastern, Southern and Western; collectively the "Universities") and the central administrative organization (the System Office) of CSUS, after the elimination of inter-university accounts and transactions among the four Universities and the System Office. These statements have been presented utilizing the AICPA Industry Audit Guide, *Audits of State and Local Governments (GASB 34 Edition)* and are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

CSUS's combined financial statements include three statements: the statement of net assets, the statement of revenues, expenses, and changes in net assets and the statement of cash flows.

- The combined statement of net assets presents information on all of CSUS's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of CSUS is improving or deteriorating.
- The combined statement of revenues, expenses and changes in net assets presents information showing how CSUS's net assets changed during the most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).
- The combined statement of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2008 and 2007

Revenues are recognized when earned and expenses are recognized when incurred. Restricted grant revenue is recognized only to the extent expended or in the case of fixed price contracts, when the contract terms are completed.

Student financial aid expenditures are reported as an allowance against tuition and fees revenue while stipends and other payments made directly to students are recorded as financial aid expense and included in education services and support expense.

CSUS determines on a case-by-case basis whether to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. However, CSUS generally encourages the use of restricted resources first.

Revenues and expenses are categorized as either operating or nonoperating. Operating revenues and expenses generally result from exchange transactions such as payments for providing services and payments made for services or goods received. Nearly all of CSUS's expenses are from exchange transactions. Certain significant recurring sources of CSUS's revenues relied upon for operations, including state appropriations, gifts and investment income and losses are recorded as nonoperating revenues, as defined by GASB Statement No. 35.

In accordance with GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units*", several legally separate, tax-exempt, affiliated university foundations (the "Foundations") must be considered component units of CSUS and are presented discretely in CSUS's financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the universities in support of their programs. Although the universities do not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the universities by the donors. Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the universities, the Foundations are considered component units of CSUS.

The Foundations are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in CSUS's financial reporting entity for these differences.

Affiliated alumni associations with unaudited total net assets of approximately \$1.1 million and \$1.0 million at June 30, 2008 and 2007, respectively, have not been included as component units of the Universities.

Net Assets

Resources are classified for reporting purposes into the following four net asset categories:

- **Invested in Capital Assets, Net of Related Debt**
Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Similar net assets are included in unrestricted net assets in the statements of the component units.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2008 and 2007

- **Restricted Nonexpendable**
Net assets subject to externally imposed stipulations that they be maintained in perpetuity by CSUS. Similar net assets are referred to as permanently restricted net assets in the statements of the component units.
- **Restricted Expendable**
Net assets whose use by CSUS is subject to externally imposed stipulations that can be fulfilled by actions of CSUS pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.
- **Unrestricted**
Net assets that are not subject to externally imposed stipulations are considered unrestricted. Unrestricted net assets may be designated for the specific purpose by actions of management or the Board of Higher Education or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net assets will be utilized for support for academic and research programs and initiatives, and capital programs.

Classification of Assets and Liabilities

CSUS presents short-term and long-term assets and liabilities in the statement of net assets. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30, 2008 and 2007. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30, 2008 and 2007. Cash and cash equivalents and investments presented as short-term in the statement of net assets include balances with a maturity of one year or less from June 30, 2008 and 2007. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2008 and 2007 and balances that have externally imposed restrictions as to use.

Short-term liabilities include balances that are expected to be paid in one year or less from June 30, 2008 and 2007. Long-term liabilities include balances that are expected to be paid after one year from June 30, 2008 and 2007.

Fair Value of Financial Instruments

Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits. The fair value of bonds payable is estimated using discounted cash flow analyses, based on current borrowing rates for similar types of borrowing arrangements and approximate carrying value at June 30, 2008 and 2007.

Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of petty cash, checking accounts and a Short-Term Investment Fund ("STIF"), see Note 2. Cash equivalents are investments which have maturities when purchased of three months or less.

Long-term investments include debt service reserve funds which are restricted for purposes in accordance with CHEFA regulations.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2008 and 2007

Investments are carried at fair value, based upon quoted market prices. Investments classified as short-term consist of deposits with original maturities of less than one year and are available for current use. Securities received as a gift are recorded at fair value at the date of the gift. Interest and investment income are recognized on the accrual basis.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined statement of net assets.

Indirect Cost Recoveries

The Universities record the recovery of indirect costs applicable to research programs which provide for the full or partial reimbursement of such costs as operating revenue as the related direct costs are incurred.

Inventories

The Universities' inventories of \$824,052 and \$620,794 at June 30, 2008 and 2007, respectively, consist primarily of supplies for plumbing, maintenance, auto, carpentry, electrical and custodial, and are valued at cost. Inventories are included in prepaid expenses and other current assets in the statement of net assets.

Investment in Plant

Capital assets are stated at cost. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets. Land, capitalized collections, library books and construction in progress are not depreciated. Construction period interest costs in excess of earnings associated with related debt proceeds are capitalized as a component of the fixed asset. The following table illustrates the range of useful lives for CSUS's depreciable assets:

Land improvements	20 years
Building and building improvements	5 - 40 years
Furniture, fixtures and equipment	5 - 15 years

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Department of Public Works ("DPW") of the State of Connecticut. When the project is complete and/or when title passes from DPW to CSUS, the entire cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Universities. Amounts recognized for such projects were \$25.4 million and \$7.2 million for the years ended June 30, 2008 and 2007, respectively.

Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

Deferred Bond Loan Costs

Costs incurred with the issuance of bonds were capitalized and are being amortized by the interest method over the loan term. Amortization expenses for the years ended June 30, 2008 and 2007 were \$301,627 and \$270,005, respectively.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2008 and 2007

Interest Capitalization

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of \$10.4 million and \$11.2 million for the fiscal years ended June 30, 2008 and 2007, respectively. Interest capitalized for the fiscal years ended June 30, 2008 and 2007, totaled \$.8 million and \$1.3 million, respectively. The cumulative capitalized interest was \$7.8 million and \$7.0 million as of June 30, 2008 and 2007, respectively. The capitalized interest is being amortized over 35 years.

Compensated Absences

Employees earn their right to be compensated during absences for annual leave, sick leave and other fringe benefits. The accompanying balance sheet reflects the accrual for the amounts earned and, ultimately, payable for such benefits (see Note 7).

Due from the State of Connecticut

Accrued salaries and related fringe benefit costs for CSUS employees, whose salaries will be charged to the State of Connecticut General Fund totaled \$ 29.6 million and \$27.4 million as of June 30, 2008 and 2007, respectively. CSUS has reflected a related receivable from the State of Connecticut for these costs which will be charged to the General Fund appropriation for the following year, in accordance with the state budget approved prior to June 30, 2008 and 2007, respectively.

CSUS has also recorded a receivable from the State of Connecticut related to allocated bond financing for capital projects when allotted by the Governor (see Note 5).

Deferred Revenues

Deferred revenues consist primarily of tuition and fees that have been billed or collected at June 30, 2008 and 2007, but applicable to the 2008 or 2007 summer sessions held subsequent to June 30 or upcoming fall sessions. Direct charges related to these sessions are reported in the period the tuition and fees are recognized as income.

Federal Loan Program Advances

Refundable federal advances for the Perkins Loan programs administered by the Universities are classified as noncurrent liabilities.

Income Tax Status

Connecticut State University System is an agency of the State of Connecticut which is exempt from federal income taxes under section 115(a) of the Internal Revenue Code and of state income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying combined financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at June 30, 2008 and 2007 and revenues and expenses recognized during the reporting period. Major estimates, include the accrual for employee compensated absences and the allowances for doubtful accounts. Actual results could differ from those estimates.

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2. Cash, Cash Equivalents and Investments

Cash and cash equivalents includes approximately \$65.8 million and \$70.7 million at June 30, 2008 and 2007, respectively, invested in the State of Connecticut Treasurer's Short-Term Investment Fund (STIF), a combined investment pool of high quality, short-term money market instruments. CSUS may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CSUS's daily cash flow requirements.

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rates at June 30, 2008 and 2007 were 2.47% and 5.49%, respectively. CSUS operating funds held by the State that participated in the aforementioned program were \$151.1 million and \$ 136.9 million at June 30, 2008 and 2007, respectively.

The cost and fair value of cash, cash equivalents and investments at June 30 are:

	2008		2007	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 219,865,868	\$ 219,865,868	\$ 211,226,797	\$ 211,226,797
U.S. Government obligations	19,419,780	19,422,373	18,810,795	18,820,943
Guaranteed Investment Contracts	21,865,086	21,865,086	22,216,180	22,216,180
	<u>\$ 261,150,734</u>	<u>\$ 261,153,327</u>	<u>\$ 252,253,772</u>	<u>\$ 252,263,920</u>

The cost and fair value of cash, cash equivalents and investments of the Component Units at June 30 are:

	2008		2007	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 4,184,190	\$ 4,184,190	\$ 4,168,502	\$ 4,168,502
Investments	55,673,837	55,102,673	47,469,926	51,409,700
	<u>\$ 59,858,027</u>	<u>\$ 59,286,863</u>	<u>\$ 51,638,428</u>	<u>\$ 55,578,202</u>

Investments are pooled and separate accounting is maintained as to the amounts allocable to the various funds and programs.

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As of June 30, 2005, CSUS implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposit and Investment Risk Disclosures" ("GASB 40"), and accordingly, CSUS has assessed the Credit Risk, Custodial Credit Risk, the Concentration of Credit Risk, and the Interest Rate Risk of its Cash, Cash Equivalents and Investments.

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSUS is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSUS's guaranteed investment contracts was AA, as rated by Standard & Poor's Ratings as of June 30, 2008. The credit quality of these instruments was downgraded as of November 19, 2008 to Baa1.

Custodial Credit Risk – At June 30, 2008 and 2007, the carrying amount of CSUS's bank deposits was (\$.8) million and \$.7 million, respectively, as compared to bank balances of \$.9 million and \$2.4 million, respectively. The differences between the carrying amount and bank balances were primarily caused by deposits in transit and outstanding checks. Of such bank balances, \$.3 million and \$.2 million at June 30, 2008 and June 30, 2007 are covered by federal deposit insurance. The remaining balances of \$.6 million at June 30, 2008 and \$2.2 million at June 30, 2007 are uninsured and uncollateralized and therefore subject to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. 84 % of CSUS total cash, cash equivalents and investments is invested in the STIF and the State's pooled, interest credit program accounts as of June 30, 2008 compared to 83% at the end of fiscal year 2007.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Interest rate risk is managed by establishing targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through target allocations to different asset classes.

Investment maturities of CSUS's debt securities at June 30 are as follows:

		2008				
		Investment Maturities (in years)				
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10	
U.S. Government obligations	\$ 19,422,373	\$ 18,868,332	\$ 554,041	\$ -	\$ -	-
Guaranteed Investment Contracts	21,865,086			6,014,707	15,850,379	
	<u>\$ 41,287,459</u>	<u>\$ 18,868,332</u>	<u>\$ 554,041</u>	<u>\$ 6,014,707</u>	<u>\$ 15,850,379</u>	

		2007				
		Investment Maturities (in years)				
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10	
U.S. Government obligations	\$ 18,820,943	\$ 18,820,943		\$ -	\$ -	-
Guaranteed Investment Contracts	22,216,180		3,000	6,220,206	15,992,974	
	<u>\$ 41,037,123</u>	<u>\$ 18,820,943</u>	<u>\$ 3,000</u>	<u>\$ 6,220,206</u>	<u>\$ 15,992,974</u>	

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3. Receivables

Accounts receivable consisted of the following at June 30:

	2008	2007
Student accounts receivable	\$ 146,537,424	\$ 111,919,608
Student loans receivable	13,638,664	13,096,089
Grants receivable	1,815,803	1,970,869
Miscellaneous receivables	1,065,225	939,858
	<u>163,057,116</u>	<u>127,926,424</u>
Less allowance for doubtful accounts	<u>(8,704,682)</u>	<u>(8,084,601)</u>
Net accounts receivable	<u>\$ 154,352,434</u>	<u>\$ 119,841,823</u>

Student accounts receivable above include \$134,615,259 and \$100,315,953 representing amounts included in deferred revenue at those dates.

Accounts receivable of the Component Units consisted of the following at June 30:

	2008	2007
Contributions and other receivables	\$ 837,939	\$ 2,547,670
State matching contribution	5,015	7,639
Total contributions and other receivables	<u>\$ 842,954</u>	<u>\$ 2,555,309</u>

4. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2008 and 2007. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts canceled under these provisions.

As CSUS determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the US Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2008 and 2007, the allowance for uncollectible loans was \$2,715,580 and \$2,727,885, respectively.

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5. Due from the State of Connecticut

Amounts due from the State of Connecticut as of June 30, are comprised of the following:

	2008	2007
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	\$ 30,569,960	\$ 29,582,998
State appropriations for capital projects	<u>31,696,262</u>	<u>23,194,208</u>
	<u>\$ 62,266,222</u>	<u>\$ 52,777,206</u>

Bond financing for capital projects authorized by the State Legislature is available for allotment by the Governor when allocated for specific projects by the State Bond Commission. CSUS recognizes such resources when they are allotted, which is the point at which commitments can be made against them. This amount, recorded as a receivable, is drawn against as related capital projects are constructed. The majority of CSUS's capital projects have historically been financed through the issuance of general obligation bonds of the State of Connecticut (see Note 8).

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6. Investment in Plant

The following are the components of investment in plant, and the respective year's activity:

	Balance June 30, 2007	Year ended June 30, 2008		Balance June 30, 2008
		Additions	Retirements and Transfers	
Capital assets not being depreciated:				
Land	\$ 18,561,418	\$ -	\$ (136,846)	\$ 18,424,572
Capitalized collections and library books	56,615,827	4,058,419	(2,456,106)	58,218,140
Construction in progress	33,690,720	14,890,936	(30,711,616)	17,870,040
Total capital assets not being depreciated	<u>\$ 108,867,965</u>	<u>\$ 18,949,355</u>	<u>\$ (33,304,568)</u>	<u>\$ 94,512,752</u>
Other capital assets:				
Land improvements	\$ 71,660,481	\$ 4,517,056	\$ -	\$ 76,177,537
Buildings and building improvements	953,172,364	54,329,195	(2,163,581)	1,005,337,978
Furniture, fixtures and equipment	116,081,936	15,344,740	(6,009,447)	125,417,229
Total other capital assets	<u>1,140,914,781</u>	<u>74,190,991</u>	<u>(8,173,028)</u>	<u>1,206,932,744</u>
Less accumulated depreciation for:				
Land improvements	(27,730,466)	(3,676,056)	-	(31,406,522)
Buildings and building improvements	(308,680,118)	(28,105,350)	1,769,848	(335,015,620)
Furniture, fixtures and equipment	(68,592,806)	(10,478,410)	4,981,321	(74,089,895)
Total accumulated depreciation	<u>(405,003,390)</u>	<u>(42,259,816)</u>	<u>6,751,169</u>	<u>(440,512,037)</u>
Other capital assets, net	<u>\$ 735,911,391</u>	<u>\$ 31,931,175</u>	<u>\$ (1,421,859)</u>	<u>\$ 766,420,707</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 108,867,965	\$ 18,949,355	\$ (33,304,568)	\$ 94,512,752
Other capital assets, at cost	1,140,914,781	74,190,991	(8,173,028)	1,206,932,744
Total cost of capital assets	1,249,782,746	93,140,346	(41,477,596)	1,301,445,496
Less accumulated depreciation	<u>(405,003,390)</u>	<u>(42,259,816)</u>	<u>6,751,169</u>	<u>(440,512,037)</u>
Capital assets, net	<u>\$ 844,779,356</u>	<u>\$ 50,880,530</u>	<u>\$ (34,726,427)</u>	<u>\$ 860,933,459</u>
Component Units				
Total cost of capital assets	\$ 3,591,432	\$ 231,689	\$ -	\$ 3,823,121
Less accumulated depreciation	<u>(309,562)</u>	<u>(92,905)</u>	<u>-</u>	<u>(402,467)</u>
Capital assets, net	<u>\$ 3,281,870</u>	<u>\$ 138,784</u>	<u>\$ -</u>	<u>\$ 3,420,654</u>

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	Balance June 30, 2006	Year ended June 30, 2007		Balance June 30, 2007
		Additions	Retirements and Transfers	
Capital assets not being depreciated:				
Land	\$ 18,461,690	\$ 99,728	\$ -	\$ 18,561,418
Capitalized collections and library books	54,010,416	4,832,850	(2,227,439)	56,615,827
Construction in progress	44,817,891	25,061,722	(36,188,893)	33,690,720
Total capital assets not being depreciated	<u>\$ 117,289,997</u>	<u>\$ 29,994,300</u>	<u>\$ (38,416,332)</u>	<u>\$ 108,867,965</u>
Other capital assets:				
Land improvements	\$ 70,381,934	\$ 1,386,234	\$ (107,687)	\$ 71,660,481
Buildings and building improvements	910,663,737	43,519,323	(1,010,696)	953,172,364
Furniture, fixtures and equipment	110,241,172	12,767,117	(6,926,353)	116,081,936
Total other capital assets	<u>1,091,286,843</u>	<u>57,672,674</u>	<u>(8,044,736)</u>	<u>1,140,914,781</u>
Less accumulated depreciation for:				
Land improvements	(24,219,947)	(3,517,783)	7,264	(27,730,466)
Buildings and building improvements	(282,151,128)	(26,747,525)	218,535	(308,680,118)
Furniture, fixtures and equipment	(64,669,876)	(10,553,749)	6,630,819	(68,592,806)
Total accumulated depreciation	<u>(371,040,951)</u>	<u>(40,819,057)</u>	<u>6,856,618</u>	<u>(405,003,390)</u>
Other capital assets, net	<u>\$ 720,245,892</u>	<u>\$ 16,853,617</u>	<u>\$ (1,188,118)</u>	<u>\$ 735,911,391</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 117,289,997	\$ 29,994,300	\$ (38,416,332)	\$ 108,867,965
Other capital assets, at cost	<u>1,091,286,843</u>	<u>57,672,674</u>	<u>(8,044,736)</u>	<u>1,140,914,781</u>
Total cost of capital assets	1,208,576,840	87,666,974	(46,461,068)	1,249,782,746
Less accumulated depreciation	<u>(371,040,951)</u>	<u>(40,819,057)</u>	<u>6,856,618</u>	<u>(405,003,390)</u>
Capital assets, net	<u>\$ 837,535,889</u>	<u>\$ 46,847,917</u>	<u>\$ (39,604,450)</u>	<u>\$ 844,779,356</u>
Component Units				
Total cost of capital assets	\$ 1,910,168	\$ 1,681,264	\$ -	\$ 3,591,432
Less accumulated depreciation	<u>(244,011)</u>	<u>(65,551)</u>	<u>-</u>	<u>(309,562)</u>
Capital assets, net	<u>\$ 1,666,157</u>	<u>\$ 1,615,713</u>	<u>\$ -</u>	<u>\$ 3,281,870</u>

7. Accrued Compensated Absences

Accrued compensated absences as of June 30, include:

	2008	2007
Accrued vacation	\$ 20,865,012	\$ 19,604,848
Accrued sick leave	6,044,383	5,639,163
Other accrued fringe benefits	6,396,869	6,082,726
	<u>33,306,264</u>	<u>31,326,737</u>
Less: current portion	<u>1,994,034</u>	<u>1,589,657</u>
Noncurrent portion	<u>\$ 31,312,230</u>	<u>\$ 29,737,080</u>

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Activity for compensated absences, as of June 30, includes:

Balance as of June 30, 2006	\$ 28,741,498
Additions in 2007	4,089,345
Retirements in 2007	<u>(1,504,106)</u>
Balance as of June 30, 2007	31,326,737
Additions in 2008	3,487,343
Retirements in 2008	<u>(1,507,816)</u>
Balance as of June 30, 2008	<u><u>\$ 33,306,264</u></u>

These accruals represent estimated amounts earned by all eligible employees through June 30, 2008 and 2007. These accrued compensated absences will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of CSUS.

In February 2003, the State of Connecticut offered employees meeting certain criteria, an Early Retirement Incentive Plan (ERIP). For those employees opting to accept the plan, their accrued compensation for vacation and sick time was reclassified to a separate liability. Those amounts were paid out annually in equal installments over a three year period starting July 2005. The total amount of ERIP liability at June 30, 2008 and 2007 was \$0 and approximately \$2.5 million, respectively. The liability at June 30, 2007 was all current and was included in other current liabilities on the statements of net assets.

8. Bonds, Notes Payable and Capital Lease Obligations

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities at CSUS. The State obtains its funds for these construction projects from general obligation bonds which it issues from time to time. The State is responsible for all repayments of the bonds in accordance with bond indentures.

Debt service on bonds issued by the State to finance educational and general facilities is funded by the General Fund of the State, which is in the custody of the State Treasurer. These bonds do not require repayment by CSUS and, accordingly, the State's debt obligation attributable to CSUS's educational and general facilities is not reported as CSUS debt in the accompanying financial statements.

Bonds issued by the State of Connecticut to finance auxiliary enterprise buildings and improvements require that principal and interest payments be remitted by CSUS to the State from revenues associated with the specific auxiliary activities. These bonds which are considered self-liquidating originally matured from 1993 to 2017 with interest rates varying from 2% to 6%. State statute requires these bonds to be repaid entirely by CSUS and, accordingly, these bonds are recorded as CSUS debt in the accompanying financial statements.

In fiscal year 2008 portions of the September 1997 and February 1998 self-liquidating bonds were refunded. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The outstanding amount of the refunded bonds totaled approximately \$6.1 million at June 30, 2008. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$.2 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of

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the refunding, CSUS will reduce its aggregate debt service payments by approximately \$.4 million and achieve an economic gain of approximately \$.2 million.

Principal outstanding on the self-liquidating bond issues as of June 30 is as follows:

Issue Date	Type	2008	2007
March 1993	Original	\$ 1,860,000	\$ 2,330,000
October 1993	Refunded	1,484,496	1,484,496
March 1994	Original	570	755
August 1994	Original	200	211
March 1997	Original	-	425,000
September 1997	Refunded	451,096	1,890,824
February 1998	Refunded	12,596	5,270,631
June 2001	Refunded	5,186,557	6,950,267
November 2001	Refunded	2,210,741	2,974,547
June 2002	Refunded	844,497	1,270,682
August 2002	Refunded	776,355	776,355
December 2003	Refunded	4,605,183	4,632,420
April 2005	Refunded	422,547	422,547
December 2007	Refunded	5,790,433	-
		<u>\$ 23,645,271</u>	<u>\$ 28,428,735</u>

Estimated principal and interest requirements for the next five years and the remaining four-year increment thereafter are as follows:

Year	Principal	Interest
2009	5,018,909	1,210,684
2010	4,774,889	970,331
2011	3,956,511	736,069
2012	3,605,892	505,298
2013	1,974,402	316,867
2014-2017	4,314,668	388,694
	<u>\$ 23,645,271</u>	<u>\$ 4,127,943</u>

On November 1, 1995, the State of Connecticut Health and Educational Facilities Authority (CHEFA) issued \$44.6 million of Series A Revenue Bonds on behalf of CSUS. The Bonds originally matured from 1996 through 2015, with interest rates varying from 4.5% to 6%. Payment of the principal of, and interest on, the bonds are due to the trustee on April 1 and October 1 of each year, is guaranteed by a municipal bond insurance policy.

On March 15, 1997, CHEFA issued \$38.9 million of Series B Revenue Bonds on behalf of CSUS. The Bonds mature from 1997 through 2017 with interest rates varying from 4.5% to 5%. Payment of the principal of, and interest on, the bonds are due to the trustee on April 1 and October 1 of each year, is guaranteed by a municipal bond insurance policy.

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On November 15, 1999, CHEFA issued \$23 million of Series C Revenue Bonds on behalf of CSUS. The Bonds originally matured from 2000 through 2019, with interest rates varying from 4.3% to 6%. Payment of the principal of, and interest on, the bonds are due to the trustee on April 1 and October 1 of each year, is guaranteed by a municipal bond insurance policy.

On March 15, 2002, CHEFA issued \$76.2 million of Series D Revenue Bonds on behalf of CSUS. The Bonds mature from 2003 to 2022 with interest rates varying from 4% to 5%. Payment on the principal of, and interest on, the bonds is due to the Trustee on October 1 and April 1 of each year, and is guaranteed by a municipal bond insurance policy for the 2020-2022 maturities.

On May 15, 2003, CHEFA issued \$142.1 million of Series E Revenue Bonds on behalf of CSUS. The Bonds mature from 2005 to 2033 with interest rates varying from two percent (2%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On February 5, 2004, CHEFA issued \$49.5 million of Series F Revenue Bonds on behalf of CSUS, to advance refund portions of Series A, B, C and D. The Bonds mature from 2004 to 2015 with interest rates varying from two percent (2%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On June 7, 2005, CHEFA issued \$50.6 million of Series G Revenue Bonds on behalf of CSUS. The Bonds mature from 2006 to 2035 with interest rates varying from three percent (3%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On June 7, 2005, CHEFA issued \$48.5 million of Series H Revenue Bonds on behalf of CSUS, to advance refund portions of Series B, C, D and E. The Bonds mature from 2005 to 2019 with interest rates varying from two and one half percent (2.5%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

On April 18, 2007, CHEFA issue \$62.8 million of Series I Revenue Bonds on behalf of CSUS, to advance refund portions of Series D, E and G. The Bonds mature from 2008 to 2033 with interest rates varying from three percent (3.0%) to five and one quarter percent (5.25%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year and is guaranteed by a municipal bond insurance policy.

In connection with the fiscal year 2007 advance refunding of portions of Series D, E and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. Assets held in the trust accounts had an aggregate market value of approximately \$63.8 million at June 30, 2007. The outstanding amount of the refunded bonds totaled approximately \$60.1 million at June 30, 2007. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$2.4 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the defeasance, CSUS will reduce its aggregate debt service payments by approximately \$4.6 million and achieve an economic gain, (the difference

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between the present value of the old and new debt service payments), of approximately \$2.4 million.

In connection with the fiscal year 2005 advance refunding of portions of Series B, C, D and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately \$52.8 million at June 30, 2005. The refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The outstanding amount of the refunded bonds totaled approximately \$49.3 million at June 30, 2007 and 2006. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$3.1 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the defeasance, CSUS will reduce its aggregate debt service payments by approximately \$2.7 million and achieve an economic gain, (the difference between the present value of the old and new debt service payments), of approximately \$2.0 million.

In connection with the fiscal year 2004 advance refunding of portions of Series A, B, C and D, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately \$53.9 million at June 30, 2004. The refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The outstanding amount of the refunded bonds totaled approximately \$26.5 million at June 30, 2007 and 2006. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$5.3 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the defeasance, CSUS will reduce its aggregate debt service payments by approximately \$3.2 million and achieve an economic gain, (the difference between the present value of the old and new debt service payments), of approximately \$1.8 million.

Principal outstanding of the CHEFA Bonds at June 30 was as follows:

	2008	2007
CHEFA Revenue Bonds Series B	\$ 1,860,000	\$ 3,725,000
CHEFA Revenue Bonds Series C	2,320,000	3,480,000
CHEFA Revenue Bonds Series D	15,380,000	19,220,000
CHEFA Revenue Bonds Series E	78,030,000	81,130,000
CHEFA Revenue Bonds Series F	43,505,000	45,940,000
CHEFA Revenue Bonds Series G	38,680,000	40,155,000
CHEFA Revenue Bonds Series H	48,350,000	48,360,000
CHEFA Revenue Bonds Series I	62,760,000	62,760,000
	<u>\$ 290,885,000</u>	<u>\$ 304,770,000</u>

CSUS's most restrictive covenant is the pledging of certain University fee receipts and parking fee receipts as collateral for its obligation to make payments.

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Revenue bond interest is payable to the bondholders on May 1 and November 1 of each year. Revenue bonds mature on November 1, in the years set forth below:

Maturity	Principal	Interest
2009	\$ 14,085,000	\$ 12,303,156
2010	14,180,000	11,737,869
2011	14,320,000	11,164,294
2012	14,405,000	10,569,869
2013	14,390,000	9,921,654
2014-2018	71,240,000	39,694,993
2019-2023	59,755,000	24,710,700
2024-2028	39,035,000	13,523,281
2029-2033	38,715,000	5,641,356
2034-2036	10,760,000	302,975
	<u>\$ 290,885,000</u>	<u>\$ 139,570,147</u>

Long-term liability activity for the years ended June 30, 2008 and 2007 was as follows:

	Year Ended June 30, 2008			
	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Bonds payable	\$ 333,198,735	\$ 5,790,433	\$ (24,458,897)	\$ 314,530,271
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	1,898,989	204,371	(297,602)	1,805,758
Total bonds payable	335,097,724	5,994,804	(24,756,499)	316,336,029
Capital lease obligations	84,605	6,347	(60,363)	30,589
Deferred compensation	134,353	67,187		201,540
Total	<u>\$ 335,316,682</u>	<u>\$ 6,068,338</u>	<u>\$ (24,816,862)</u>	<u>\$ 316,568,158</u>

	Year Ended June 30, 2007			
	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Bonds payable	\$ 350,017,618	\$ 62,760,000	\$ (79,578,883)	\$ 333,198,735
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	6,883,351	(2,774,784)	(2,209,578)	1,898,989
Total bonds payable	356,900,969	59,985,216	(81,788,461)	335,097,724
Capital lease obligations	178,732	29,126	(123,253)	84,605
Deferred compensation	84,309	50,044		134,353
Total	<u>\$ 357,164,010</u>	<u>\$ 60,064,386</u>	<u>\$ (81,911,714)</u>	<u>\$ 335,316,682</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2008 and 2007

Principal payments for the Component Units' long-term debt, consisting of one unsecured note of \$119,000, bearing interest at 5.99% payable in monthly installments of \$518, with a maturity date of March 2015, are due as follows:

Year	Principal
2009	\$ 4,354
2010	4,548
2011	4,828
2012	5,126
2013	5,441
Thereafter	<u>10,013</u>
	<u>\$ 34,310</u>

Notes payable activity for the years ended June 30, 2008 and 2007 was as follows:

	Year Ended June 30, 2008			
	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Notes payable	\$ 48,658	\$ -	\$ (14,348)	\$ 34,310

	Year Ended June 30, 2007			
	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Notes payable	\$ 62,033	\$ -	\$ (13,375)	\$ 48,658

9. Deferred Revenue

Deferred revenue consists of the following at June 30, 2008 and 2007:

	2008	2007
Unearned tuition and fees	\$ 155,319,063	\$ 119,755,681
Grants and contracts	2,159,199	2,325,175
Other	<u>122,942</u>	<u>129,308</u>
	<u>\$ 157,601,204</u>	<u>\$ 122,210,164</u>

Connecticut State University System
Notes to Combined Financial Statements
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10. Pension Plans and Other Post Employment Benefits

Plan Description

All regular full-time employees participate in one of two retirement plans. The State of Connecticut is statutorily responsible for the pension benefits of CSUS employees who participate in the State Employees' Retirement System (SERS). SERS is the administrator of a single employer defined benefit public employee retirement system (PERS). The plan provides retirement, disability, death benefits and annual cost of living adjustments to plan members and their beneficiaries. Plan benefits, cost of living adjustments, contribution requirements of plan members and the State and other plan provisions are described in the General Statutes. The plan does not issue stand alone financial reports. Information on the plan is currently publicly available in the State of Connecticut's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller.

Employees hired before July 1, 1984 participate in the old (Tier 1) Plan, which includes employee contributions; other employees may participate in the Tier II or Tier IIA Plans. As of June 30, 2008, approximately twenty-six percent (26%) of the CSUS workforce was covered under the Tier II or Tier II A Plans. CSUS makes contributions on behalf of the employees through a fringe benefit charge assessed by the State of Connecticut.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is managed by ING. Under this arrangement, CSUS and the plan participants purchase individual investments managed by ING.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature.

Tier I Plan B regular and Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base plus 5% above that level. Tier I Plan C members are required to contribute 5% of their annual salary. Tier IIA Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the State legislature. Administrative costs of the plan are funded by the State.

Annual Pension Cost, Net Pension Obligation and Related Information (Unaudited)

Because of the cost-sharing arrangements CSUS has with other State departments and agencies, one actuarial valuation is performed for the State of Connecticut. As a result, the following information is not separately available for CSUS. Additionally, the information for fiscal year 2008 is not available as of the issue date of CSUS's financial statements and, therefore, the following information is as of June 30, 2007.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2008 and 2007

The State's annual pension cost and net pension obligation for SERS as of June 30, 2007 are as follows (in thousands):

Annual required contribution	\$ 663,926
Interest on net pension obligation	193,056
Adjustment to annual required contribution	<u>(131,973)</u>
Annual pension cost	725,009
Contributions made	<u>663,931</u>
Increase in net pension obligation	61,078
Net pension obligation, beginning of year	<u>2,271,249</u>
Net pension obligation, end of year	<u>\$ 2,332,327</u>

Three year trend information (in thousands):

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
2005	\$ 582,082	89.1 %	\$ 2,208,839
2006	685,473	90.9 %	2,271,249
2007	725,009	91.6 %	2,332,327

The following actuarial information related to the calculation of the annual required contribution for SERS is for all State of Connecticut employees:

Actuarial valuation date	June 30, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	25 years
Asset valuation method	5 year smoothed market
Actuarial assumptions	
Investment rate of return	8.5%
Projected salary increases (includes inflation of 5%)	4.25% - 15.0%
Cost of living adjustments	2.75% - 3.75%

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2008 and 2007

Required Supplementary Information (in millions):

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded ratio	(c) Covered payroll	(b-a)/c UAAL as a percentage of covered payroll
6/30/02	7,893.7	12,806.1	4,912.4	61.6%	2,852.1	172.2%
6/30/03	8,058.6	14,223.8	6,165.2	56.7%	2,654.3	232.3%
6/30/04	8,238.3	15,128.5	6,890.2	54.5%	2,816.7	244.6%
6/30/05	8,517.7	15,987.5	7,469.8	53.3%	2,980.1	250.7%
6/30/06	8,951.4	16,830.3	7,878.9	53.2%	3,107.9	253.5%
6/30/07 *	9,585.0	17,888.1	8,303.1	53.6%	3,310.4	250.8%

* Interim actuarial valuation

Other Post Employment Benefits

The State of Connecticut provides post retirement health care and life insurance benefits to eligible CSUS employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at the time of retirement. The State finances the cost of post retirement health care and life insurance benefits.

During fiscal year 2008, CSUS adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"). However, as the State of Connecticut is legally responsible for any post-employment benefits, the standard had no impact on the CSUS financial statements as of June 30, 2008. The liability for post-employment benefits will be recorded by the State of Connecticut, which has communicated to CSUS that CSUS should not record a liability associated with the post-employment benefits for its employees or retired employees.

For the State of Connecticut liability and disclosures associated with GASB 45 please see the State of Connecticut's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller at the following website address: <http://www.osc.state.ct.us/reports/>.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2008 and 2007

11. Commitments and Contingencies

CSUS makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. CSUS is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of CSUS.

CSUS is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that eventual liability, if any, will not have a material effect on CSUS's financial position.

CSUS had outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30, 2008 and 2007. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net asset balances at June 30, 2008 and 2007 were as follows:

	2008	2007
System Office	\$ 1,279,462	\$ 1,012,995
Central Connecticut State University	3,626,335	3,799,649
Eastern Connecticut State University	4,279,400	487,312
Southern Connecticut State University	3,470,384	8,582,803
Western Connecticut State University	3,780,628	2,465,310
	<u>\$ 16,436,209</u>	<u>\$ 16,348,069</u>

12. Intra-University and Related Party Activities

The System Office administers certain activities centrally for the provision of management information systems and services to the Universities. Primary among these activities are administration of certain system-wide information systems, telecommunications, capital projects planning and rebudgeting, technical support and debt service. Costs of such activities, including the allocation of funds to the Universities from bond proceeds, are included in the activity of the System Office and supported by revenues from State appropriations and Universities' tuition and fee revenues which are allocated to the System Office through the budget allocation process. Such activities are eliminated in the combined statement of revenues, expenses and changes in net assets.

In addition to those transactions identified in Note 5, the accompanying combined statement of net assets includes balances among related parties. Significant balances for the years ended June 30, were as follows:

	2008	2007
Cash balances held with the State of Connecticut on behalf of the universities (excluding STIF)	\$ 154,890,677	\$ 139,848,089
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	<u>65,758,214</u>	<u>70,676,074</u>
	<u>\$ 220,648,891</u>	<u>\$ 210,524,163</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2008 and 2007

13. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

Year ended June 30, 2008									
Natural Classification									
	Personnel service and fringe benefits	Professional service and fees	Educational service and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	\$ 37,330,993	\$ 1,316,437	\$ 1,144,495	\$ 1,563,768	\$ 815,108	\$ 2,709,585			\$ 44,880,386
Auxiliary enterprises	12,498,328	8,736,405	17,276,935	109,769	9,626,235	2,896,226			51,143,898
Institution support	67,636,043	7,215,194	793,676	926,391	3,646,683	9,459,837			89,677,824
Instruction	173,610,144	1,371,042	795,801	771,392	197,973	2,142,445			178,888,797
Physical plant	32,733,348	1,904,764	48,050	49,604	47,160,964	2,373,245	42,259,816	393,934	126,923,725
Public service	5,488,031	1,415,225	868,285	1,053,787	488,475	880,991			10,194,794
Research	2,306,463	430,993	541,575	371,672	88,119	510,109			4,248,931
Scholarships, loans and refunds	556,690	112,097	46,243,424	12,442	624	148,568			47,073,845
Student services	47,589,882	2,034,458	1,628,249	2,265,827	1,111,045	3,189,005			57,818,466
Total expenses	\$ 379,749,922	\$ 24,536,615	\$ 69,340,490	\$ 7,124,652	\$ 63,135,226	\$ 24,310,011	\$ 42,259,816	\$ 393,934	\$ 610,850,666

Year ended June 30, 2007									
Natural Classification									
	Personnel service and fringe benefits	Professional service and fees	Educational service and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	\$ 36,764,530	\$ 783,331	\$ 1,981,081	\$ 1,385,790	\$ 383,308	\$ 2,265,209			\$ 43,563,249
Auxiliary enterprises	11,323,094	7,528,030	15,128,989	123,678	9,200,724	3,316,902			46,621,417
Institution support	62,743,044	7,619,513	692,925	851,126	3,413,243	8,267,738			83,587,589
Instruction	162,843,909	1,535,826	1,172,126	751,677	466,175	1,953,263			168,722,976
Physical plant	30,538,019	2,387,102	108,067	48,725	44,361,424	2,337,199	40,819,057	443,239	121,042,832
Public service	4,034,349	1,103,680	708,684	943,468	453,363	540,481			7,784,025
Research	2,623,195	496,785	514,281	267,290	42,295	518,744			4,462,590
Scholarships, loans and refunds	553,220	85,630	39,643,613	2,370		231,616			40,516,449
Student services	45,062,772	2,066,362	1,496,187	1,986,931	876,157	3,217,292			54,705,701
Total expenses	\$ 356,486,132	\$ 23,606,259	\$ 61,445,953	\$ 6,361,055	\$ 59,196,689	\$ 22,648,444	\$ 40,819,057	\$ 443,239	\$ 571,006,828

Connecticut State University System
Supplemental Financial Information
June 30, 2008 and 2007

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Connecticut State University System
Combining Statements of Net Assets
June 30, 2008 with Comparative Totals as of June 30, 2007

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2008	2007
Assets								
Current assets:								
Cash and cash equivalents	\$ 45,194,863	\$ 2,377,216	\$ 39,230,856	\$ 22,797,350	\$ 10,297,192	\$ -	\$ 119,897,477	\$ 108,237,052
Investments	-	-	-	-	14,619,515	-	14,619,515	14,370,704
Student receivables	39,697,079	31,432,708	48,183,414	27,224,223	-	-	146,537,424	111,919,608
Allowance-doubtful student receivables	(922,477)	(1,472,126)	(2,036,530)	(1,241,194)	-	-	(5,672,327)	(5,085,776)
Student receivables, net	38,774,602	29,960,582	46,146,884	25,983,029	-	-	140,865,097	106,833,832
Student loans receivable	729,719	231,336	669,780	373,551	-	-	2,004,386	2,342,372
Grant receivables, net	534,930	177,883	593,161	193,054	-	-	1,499,028	1,699,929
Miscellaneous receivables, net	556,851	364,519	89,811	40,082	13,962	-	1,065,225	939,858
Due from the State of Connecticut	16,166,295	11,849,461	18,322,178	11,193,714	4,734,574	-	62,266,222	52,777,206
Due from CSU and Universities	-	1,163,088	8,912	-	304,493	(1,476,493)	-	-
Prepaid expenses and other current assets	758,843	172,278	413,374	57,349	525	-	1,402,369	883,905
Total current assets	102,716,103	46,296,363	105,474,956	60,638,129	29,970,261	(1,476,493)	343,619,319	288,084,858
Noncurrent assets:								
Cash and cash equivalents	26,218,724	60,000	15,075,997	407,116	58,206,554	-	99,968,391	102,989,745
Investments	-	-	-	-	26,667,944	-	26,667,944	26,666,419
Due from CSU and Universities	3,274,720	104,416	-	-	-	(3,379,136)	-	-
Student loans receivable	3,685,710	1,641,326	4,365,961	1,941,281	-	-	11,634,278	10,753,717
Allowance-doubtful loan receivables	(629,654)	(372,382)	(1,294,557)	(418,987)	-	-	(2,715,580)	(2,727,885)
Loans receivable, net	3,056,056	1,268,944	3,071,404	1,522,294	-	-	8,918,698	8,025,832
Other assets	-	105,163	152,263	70,461	2,943,741	-	3,271,628	3,880,383
Investment in plant	336,499,737	276,629,455	374,677,602	279,533,715	27,041,713	7,063,274	1,301,445,496	1,249,782,746
Accumulated depreciation	(126,397,271)	(83,263,418)	(131,067,009)	(82,297,978)	(17,486,361)	-	(440,512,037)	(405,003,390)
Investment in plant, net of accumulated depreciation	210,102,466	193,366,037	243,610,593	197,235,737	9,555,352	7,063,274	860,933,459	844,779,356
Total noncurrent assets	242,651,966	194,904,560	261,910,257	199,235,608	97,373,591	3,684,138	999,760,120	986,341,735
Total assets	\$ 345,368,069	\$ 241,200,923	\$ 367,385,213	\$ 259,873,737	\$ 127,343,852	\$ 2,207,645	\$ 1,343,379,439	\$ 1,274,426,593

Connecticut State University System
Combining Statements of Net Assets
June 30, 2008 with Comparative Totals as of June 30, 2007

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2008	2007
Liabilities								
Current liabilities:								
Accounts payable	\$ 3,152,359	\$ 2,221,322	\$ 4,345,639	\$ 1,655,069	\$ 382,282	\$ -	\$ 11,756,671	\$ 8,971,717
Accrued salaries and benefits	16,579,489	7,080,715	15,858,765	7,388,096	685,095	-	47,592,160	44,151,876
Accrued compensated absences	596,800	360,106	516,846	374,015	146,267	-	1,994,034	1,589,657
Due to the State of Connecticut	289,480	876,717	485,302	1,276,984	1,314	-	2,929,797	2,343,630
Due to CSU and Universities	66,507	39,970	81,560	116,456	1,172,000	(1,476,493)	-	-
Deferred revenue	46,625,356	29,365,900	53,493,415	28,116,533	-	-	157,601,204	122,210,164
Bonds payable	-	-	-	-	19,424,805	-	19,424,805	18,841,579
Accrued bond interest payable	-	-	-	-	2,104,453	-	2,104,453	2,258,626
Capital lease obligation	1,734	-	20,902	-	-	-	22,636	59,749
Other liabilities	813,583	64,169	1,792,747	551,893	536,541	-	3,758,933	6,051,960
Depository accounts	990,095	627,663	1,620,605	702,899	(118)	-	3,941,144	3,965,261
Total current liabilities	<u>69,115,403</u>	<u>40,636,562</u>	<u>78,215,781</u>	<u>40,181,945</u>	<u>24,452,639</u>	<u>(1,476,493)</u>	<u>251,125,837</u>	<u>210,444,219</u>
Noncurrent liabilities:								
Accrued compensated absences	9,747,077	5,051,521	9,374,294	5,216,762	1,922,576	-	31,312,230	29,737,080
Bonds payable	-	-	-	-	296,911,224	-	296,911,224	316,256,145
Due to CSU and Universities	-	-	-	-	3,379,136	(3,379,136)	-	-
Federal loan program advances	3,136,752	1,459,188	3,549,051	1,632,106	-	-	9,777,097	9,777,096
Deferred compensation	-	-	-	-	201,540	-	201,540	134,353
Capital lease obligation	-	-	7,953	-	-	-	7,953	24,856
Total noncurrent liabilities	<u>12,883,829</u>	<u>6,510,709</u>	<u>12,931,298</u>	<u>6,848,868</u>	<u>302,414,476</u>	<u>(3,379,136)</u>	<u>338,210,044</u>	<u>355,929,530</u>
Total liabilities	<u>81,999,232</u>	<u>47,147,271</u>	<u>91,147,079</u>	<u>47,030,813</u>	<u>326,867,115</u>	<u>(4,855,629)</u>	<u>589,335,881</u>	<u>566,373,749</u>
Net Assets								
Invested in capital assets, net of related debt	209,911,463	193,302,315	243,581,738	197,235,737	(205,481,016)	7,063,274	645,613,511	618,919,529
Restricted:								
Nonexpendable	-	60,000	554,315	407,116	25,685	-	1,047,116	886,046
Expendable	7,524,251	6,420,192	14,894,625	-	-	-	28,839,068	27,382,861
Unrestricted	<u>45,933,123</u>	<u>(5,728,855)</u>	<u>17,207,456</u>	<u>15,200,071</u>	<u>5,932,068</u>	<u>-</u>	<u>78,543,863</u>	<u>60,864,408</u>
Total net assets	<u>263,368,837</u>	<u>194,053,652</u>	<u>276,238,134</u>	<u>212,842,924</u>	<u>(199,523,263)</u>	<u>7,063,274</u>	<u>754,043,558</u>	<u>708,052,844</u>
Total liabilities and net assets	<u>\$ 345,368,069</u>	<u>\$ 241,200,923</u>	<u>\$ 367,385,213</u>	<u>\$ 259,873,737</u>	<u>\$ 127,343,852</u>	<u>\$ 2,207,645</u>	<u>\$ 1,343,379,439</u>	<u>\$ 1,274,426,593</u>

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008 with Comparative Balances for the Year Ended June 30, 2007

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2008	2007
Operating revenues:								
Tuition and fees:								
Tuition and fees, gross	\$ 78,574,781	\$ 31,420,832	\$ 79,300,061	\$ 38,567,916	\$ 5,198,276	\$ -	\$ 233,061,866	\$ 216,792,588
Less:								
Scholarships allowance	5,619,070	3,233,569	5,861,575	2,564,141		-	17,278,355	16,163,542
Waivers	3,535,066	2,068,644	3,206,186	1,441,943		-	10,251,839	10,140,047
Debt service fee	7,162,631	3,662,607	7,122,064	4,135,192	(21,739,655)	(342,839)	-	-
	<u>62,258,014</u>	<u>22,456,012</u>	<u>63,110,236</u>	<u>30,426,640</u>	<u>26,937,931</u>	<u>342,839</u>	<u>205,531,672</u>	<u>190,488,999</u>
Tuition and fees, net of scholarship allowances and waivers								
Federal grants and contracts	17,623,989	3,199,963	7,201,976	3,325,680		-	31,351,608	29,947,475
State and local grants and contracts	5,098,471	1,890,031	5,833,496	2,432,945	12,000	-	15,266,943	11,200,898
Nongovernment grants and contracts	913,419	289,609	1,499,904	1,634		-	2,704,566	2,621,821
Indirect cost recoveries	432,957	97,350	146,869	12,200		-	689,376	656,936
Auxiliary revenues	22,307,068	19,545,860	19,709,935	13,152,359	4,266,429	-	78,981,651	74,633,002
Other operating revenues	10,544,371	9,793,768	16,789,729	5,873,620	14,980,708	(42,449,714)	15,532,482	17,694,332
	<u>119,178,289</u>	<u>57,272,593</u>	<u>114,292,145</u>	<u>55,225,078</u>	<u>46,197,068</u>	<u>(42,106,875)</u>	<u>350,058,298</u>	<u>327,243,463</u>
Total operating revenues								
Operating expenses:								
Personnel service and fringe benefits	116,575,587	66,255,519	121,372,915	65,266,332	10,279,569	-	379,749,922	356,486,132
Professional services and fees	7,195,086	3,382,511	8,234,007	3,741,305	1,983,706	-	24,536,615	23,606,259
Educational services and support	28,884,405	9,496,135	20,441,569	10,506,552	11,829	-	69,340,490	61,445,953
Travel expenses	2,960,665	1,088,232	1,828,421	1,098,732	148,602	-	7,124,652	6,361,055
Operation of facilities	25,766,953	11,884,238	22,100,469	13,803,643	32,626,907	(43,046,984)	63,135,226	59,196,689
Other operating supplies and expenses	5,648,824	3,898,064	7,163,378	4,434,626	2,822,280	342,839	24,310,011	22,648,444
Depreciation expense	11,844,051	8,891,533	11,579,020	8,675,487	1,269,725	-	42,259,816	40,819,057
Amortization expense	-	78,741	34,535	37,000	243,658	-	393,934	443,239
	<u>198,875,571</u>	<u>104,974,973</u>	<u>192,754,314</u>	<u>107,563,677</u>	<u>49,386,276</u>	<u>(42,704,145)</u>	<u>610,850,666</u>	<u>571,006,828</u>
Total operating expenses								
Operating loss	\$ (79,697,282)	\$ (47,702,380)	\$ (78,462,169)	\$ (52,338,599)	\$ (3,189,208)	\$ 597,270	\$ (260,792,368)	\$ (243,763,365)

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008 with Comparative Balances for the Year Ended June 30, 2007

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2008	2007
Nonoperating revenues:								
State appropriations	\$ 74,957,246	\$ 40,040,568	\$ 74,712,353	\$ 42,307,340	\$ 9,275,853	\$ -	\$ 241,293,360	\$ 226,046,841
Gifts	345,957	191,246	80,372	217,293	-	-	834,868	640,343
Investment income	3,088,530	386,008	2,510,138	1,128,815	4,544,543	-	11,658,034	13,610,233
State financed plant facilities	556,922	-	23,000,000	1,807,183	-	-	25,364,105	7,169,213
Other nonoperating revenues	461,210	420,840	1,121,951	790,160	-	-	2,794,161	2,486,113
	<u>79,409,865</u>	<u>41,038,662</u>	<u>101,424,814</u>	<u>46,250,791</u>	<u>13,820,396</u>	<u>-</u>	<u>281,944,528</u>	<u>249,952,743</u>
Net nonoperating revenues								
Increase in net assets before other revenues ,expenses, gains and losses	(287,417)	(6,663,718)	22,962,645	(6,087,808)	10,631,188	597,270	21,152,160	6,189,378
State appropriations restricted for capital purposes	4,248,050	8,804,230	5,777,091	3,913,416	2,095,767	-	24,838,554	10,852,529
Net increase in net assets	<u>3,960,633</u>	<u>2,140,512</u>	<u>28,739,736</u>	<u>(2,174,392)</u>	<u>12,726,955</u>	<u>597,270</u>	<u>45,990,714</u>	<u>17,041,907</u>
Net assets:								
Net assets - beginning of year	259,408,204	191,913,140	247,498,398	215,017,316	(212,250,218)	6,466,004	708,052,844	691,010,937
Net assets - end of year	<u>\$ 263,368,837</u>	<u>\$ 194,053,652</u>	<u>\$ 276,238,134</u>	<u>\$ 212,842,924</u>	<u>\$ (199,523,263)</u>	<u>\$ 7,063,274</u>	<u>\$ 754,043,558</u>	<u>\$ 708,052,844</u>

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2008 with Comparative Totals as of June 30, 2007

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2008	2007
Cash flows from operating activities:								
Tuition and fees	\$ 62,020,331	\$ 22,292,008	\$ 63,722,001	\$ 31,145,121	\$ 3,587,277	\$ 342,839	\$ 183,109,577	\$ 176,871,134
Grants and contracts	23,682,682	5,119,854	14,691,916	5,897,280	12,000	-	49,403,732	44,499,438
Auxiliary revenues	22,066,366	19,538,561	19,825,885	13,168,530	4,266,429	-	78,865,771	73,863,138
Other operating revenues	11,298,464	11,142,751	16,600,012	5,780,884	14,826,535	(42,449,714)	17,198,932	4,721,394
Payments to employees for salaries and benefits	(114,647,229)	(65,528,230)	(120,547,191)	(64,611,772)	(10,131,228)	-	(375,465,650)	(353,667,807)
Payments to supplier	(2,446,924)	(1,386,674)	(1,746,224)	(1,769,726)	(75,744)	-	(7,425,292)	(8,596,510)
Professional services and fees	(7,183,711)	(3,359,693)	(8,179,420)	(3,639,375)	(1,983,706)	-	(24,345,905)	(23,646,592)
Educational services and support	(29,114,525)	(9,496,135)	(20,441,569)	(10,506,552)	(11,829)	-	(69,570,610)	(61,206,333)
Travel expenses	(2,845,213)	(1,088,232)	(1,828,420)	(1,098,732)	(148,602)	-	(7,009,199)	(6,323,679)
Operation of facilities	(24,993,711)	(11,797,916)	(22,187,141)	(13,894,216)	(33,167,990)	43,046,984	(62,993,990)	(43,939,721)
Other operating supplies and expenses	(3,519,384)	(2,034,136)	(4,231,005)	(2,375,223)	(2,844,821)	(342,839)	(15,347,408)	(20,715,745)
University fee receipts	-	-	-	-	21,739,655	-	21,739,655	20,598,109
Net cash used by operating activities	(65,682,854)	(36,597,842)	(64,321,156)	(41,903,781)	(3,932,024)	597,270	(211,840,387)	(197,543,174)
Cash flows from noncapital financing activities:								
State appropriations	73,820,874	34,753,265	74,096,325	42,450,597	9,342,132	-	234,463,193	224,980,993
Gifts for other than capital purposes	345,957	1,81,271	80,373	217,293	-	-	824,894	601,022
Nonoperating revenue other	443,690	420,840	1,121,951	790,160	-	-	2,776,641	2,769,886
Net cash provided by noncapital financing activities	\$ 74,610,521	\$ 35,355,376	\$ 75,298,649	\$ 43,458,050	\$ 9,342,132	\$ -	\$ 238,064,728	\$ 228,351,901

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2008 with Comparative Totals as of June 30, 2007

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2008	2007
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	-	-	-	-	\$12,921,694	-	\$12,921,694	\$28,917,236
Purchases of investments	-	-	-	-	(13,172,030)	-	(13,172,030)	(21,708,228)
Interest and dividends received on investments	3,549,861	386,008	2,881,468	1,128,815	4,544,543	-	12,490,695	13,263,490
Net cash provided by investing activities	3,549,861	386,008	2,881,468	1,128,815	4,294,207	-	12,240,359	20,472,498
Cash flows from capital and related financing activities:								
Cash paid for capital assets	(7,370,405)	(7,949,205)	(13,667,709)	(2,093,771)	(2,006,830)	(597,270)	(33,685,190)	(46,924,154)
Capital appropriations received	4,248,050	8,804,230	5,625,284	1,894,958	1,741,156	-	22,313,678	13,589,476
Proceeds of new bond issuance	-	-	-	-	204,371	-	204,371	62,416,041
Repayments of capital debt and leases	-	-	-	-	(18,668,463)	-	(18,668,463)	(83,205,977)
Capital grants and gifts received	-	9,975	-	-	-	-	9,975	36,376
Payment on bond issuance costs	-	-	-	-	-	-	-	(717,118)
Net cash used in capital and related financing activities	(3,122,355)	865,000	(8,042,425)	(198,813)	(18,729,766)	(597,270)	(29,825,629)	(54,805,356)
Net increase (decrease) in cash and cash equivalents	9,355,173	8,542	5,816,536	2,484,271	(9,025,451)	-	8,639,071	(3,524,131)
Cash and cash equivalents, beginning of year	62,058,414	2,428,674	48,490,317	20,720,195	77,529,197	-	211,226,797	214,750,928
Cash and cash equivalents, end of year	\$ 71,413,587	\$ 2,437,216	\$ 54,306,853	\$ 23,204,466	\$ 68,503,746	\$ -	\$ 219,865,868	\$ 211,226,797

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2008 with Comparative Totals as of June 30, 2007

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2008	2007
Reconciliation of operating loss to net cash used in operating activities:								
Operating loss	\$ (79,697,282)	\$ (47,702,380)	\$ (78,462,169)	\$ (52,338,599)	\$ (3,189,208)	\$ 597,270	\$ (260,792,368)	\$ (243,763,365)
Adjustments to reconcile operating loss to net cash used in operating activities:								
Depreciation expense	11,844,051	8,891,533	11,579,020	8,675,487	1,269,725	-	42,259,816	40,891,057
Bad debt write-offs	32,216	62,406	217,184	77,416	-	-	389,222	754,028
Amortization	-	78,741	34,535	37,000	243,658	-	393,934	443,239
Changes in assets and liabilities:								
Receivables	(1,058,228)	(3,749,685)	(4,411,613)	(25,728,997)	(10,932)	-	(34,959,455)	(3,439,572)
Prepaid expenses and other	(208,812)	37,472	(97,206)	2,488	(56,680)	-	(322,738)	(1,536,059)
Accounts payable	597,133	404,285	1,165,853	606,706	14,178	-	2,788,155	1,720,964
Accrued salaries	1,989,257	527,292	958,388	(27,582)	(7,072)	-	3,440,283	2,576,899
Other liabilities	(1,197,463)	(195,562)	(728,980)	(393,919)	(366,940)	-	(2,882,864)	(1,870,744)
Due from State of Connecticut	61,969	43,540	270,778	211,001	(1,121)	-	586,167	43,360
Due to/from Universities	38,743	1,524,268	165,588	101,930	(1,830,529)	-	-	-
Deferred revenues	1,130,695	2,993,804	4,861,499	26,405,040	-	-	35,391,038	4,304,088
Deferred compensation	-	-	-	-	67,187	-	67,187	50,043
Deposit accounts	196,034	12,606	(230,400)	(2,893)	536	-	(24,117)	(123,343)
Accrued bond interest payable	-	-	-	-	(154,173)	-	(154,173)	(107,008)
Accrued compensated absences	588,833	473,838	356,367	471,141	89,347	-	1,979,526	2,585,239
Net cash used in operating activities	<u>\$ (65,682,854)</u>	<u>\$ (36,597,842)</u>	<u>\$ (64,321,156)</u>	<u>\$ (41,903,781)</u>	<u>\$ (3,932,024)</u>	<u>\$ 597,270</u>	<u>\$ (211,840,387)</u>	<u>\$ (197,471,174)</u>
Noncash investing, noncapital financing and capital and related financing transactions:								
Fixed assets acquired by incurring capital leases	\$ -	\$ -	\$ 6,347	\$ -	\$ 247,500	\$ -	\$ 253,847	\$ 29,125
Fixed assets included in accounts payable	\$ 513,710	\$ 13,477	\$ 408,003	\$ 90,573	\$ 109,224	\$ -	\$ 1,134,987	\$ 1,159,973
Reconciliation of cash and cash equivalents to the combined statements of net assets:								
Cash and cash equivalents classified as current assets	\$ 45,194,863	\$ 2,377,216	\$ 39,230,856	\$ 22,797,350	\$ 10,297,192	\$ -	\$ 119,897,477	\$ 108,237,052
Cash and cash equivalents classified as noncurrent assets	<u>26,218,724</u>	<u>60,000</u>	<u>15,075,997</u>	<u>407,116</u>	<u>58,206,554</u>	<u>-</u>	<u>99,968,391</u>	<u>102,989,745</u>
	<u>\$ 71,413,587</u>	<u>\$ 2,437,216</u>	<u>\$ 54,306,853</u>	<u>\$ 23,204,466</u>	<u>\$ 68,503,746</u>	<u>\$ -</u>	<u>\$ 219,865,868</u>	<u>\$ 211,226,797</u>