

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, 2011 with Summarized Financial Information
for the Year Ended June 30, 2010**

**Connecticut State University System
Index to Combined Financial Statements
June 30, 2011 and 2010**

	Page(s)
Report of Independent Auditors	1-2
Management’s Discussion and Analysis.....	3-15
Combined Financial Statements	
Combined Statements of Net Assets.....	16-17
Combined Statements of Net Assets – Component Units.....	18
Combined Statements of Revenues, Expenses and Changes in Net Assets.....	19
Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units.....	20
Combined Statements of Cash Flows	21-22
Notes to Combined Financial Statements	23-47
Supplemental Financial Information.....	S-1 - S-8



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, 2011 and 2010, 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 \$84.1 million and \$66.4 million as of June 30, 2011 and 2010, respectively, and total revenues, gains and other support of \$23.7 million and \$15.4 million for the years ended June 30, 2011 and 2010, 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 of the basic combined financial statements rather than to present the financial position, revenues, expenses and changes in net assets and cash flows of the individual entities 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 8, 2011

Connecticut State University System

Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

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, 2011 with comparative information for the fiscal years ended June 30, 2010 and 2009. 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 36,600 students and 185,000 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 182 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, 2011.

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, 2011, total assets of the System were \$1,446.3 million, an increase of \$55.4 million 4.0% over the prior year amount of \$1,390.9 million, primarily due to increases in cash and cash equivalents of \$17.7 million, investments of \$25.5 million, net student receivables of \$5.2 million, and net investment in plant of \$6.0 million. At June 30, 2010, total assets of the System were \$1,390.8 million, an increase of \$25.9 million or 1.9% over the prior year amount of \$1,364.9 million, primarily due to increases in cash, cash equivalents of \$42.7 million and net student receivables of \$9.3 million, offset by decreases in Due from the State of Connecticut of \$8.1 million and investment in plant of \$18.0 million.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2011 and 2010**

Total liabilities at June 30, 2011, of \$595.7 million were roughly equivalent to the prior year's level. Total liabilities at June 30, 2010, of \$595.8 million increased by \$3.3 million or .6% over the prior year level of \$592.5 million primarily due to increases in deferred revenues of \$13.4 million and Due to the State of Connecticut of \$13.0 million, offset by decreases in accounts payable of \$4.2 million and bonds payable of \$19.2 million.

At June 30, 2011, total net assets, which represent the residual interest in the System's assets after liabilities are deducted, were \$850.6 million, an increase of \$55.5 million or 7.0% over last fiscal year's net assets of \$795.1 million. In fiscal year 2011, the System had an increase in the amount of change in net assets of \$32.8 million compared to fiscal year 2010. This increase was primarily due to an increase in state appropriations of \$15.7 million, as well as \$15 million in savings related to a transfer to the State of Connecticut which took place in the prior year and did not recur.

At June 30, 2010, total net assets were \$795.1 million, an increase of \$22.7 million or 2.9% over last fiscal year's net assets of \$772.4 million. In fiscal year 2010, the System had a decrease in the amount of change in net assets of \$17.3 million compared to fiscal year 2009. This decrease was primarily due to a mandatory transfer to the State of Connecticut of \$15.0 million, \$13 million of which occurred in fiscal year 2011, as well as a reduction in state financed plant facilities of \$44.5 million. These deductions were offset by increases in net tuition and fees of \$21.6 million and federal grants and contracts of \$7.9 million and a reduction in salaries and benefits of \$14.9 million.

Statement of Net Assets

SUMMARY OF NET ASSETS					
June 30, 2011, 2010 and 2009					
(\$ In millions)					
				\$	%
	2011	2010	2009	Increase (Decrease) 10-11	Increase (Decrease) 10-11
Current Assets	\$438.5	\$401.2	\$355.6	\$37.3	9.3
Non-Current Assets:					
Capital Assets, net	852.9	846.9	865.0	6.0	.7
Other	154.9	142.8	144.3	12.1	8.5
Total Assets	1446.3	1390.9	1364.9	55.4	4.0
Current Liabilities	279.0	288.0	268.0	(9.0)	(3.1)
Non-current liabilities	316.7	307.8	324.5	8.9	2.9
Total Liabilities	595.7	595.8	592.5	.1	-

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2011 and 2010**

Net Assets					
Investment in Plant – Net of Related Debt	686.8	664.7	664.6	22.1	3.3
Restricted					
Nonexpendable	.6	.9	1.0	(.3)	(33.3)
Expendable	41.4	28.6	33.3	12.8	44.8
Total Restricted	42.0	29.5	34.3	12.5	42.4
Unrestricted	121.8	100.9	73.5	20.9	20.7
Total Net Assets	\$850.6	\$795.1	\$772.4	\$ 55.5	7.0

Current assets at June 30, 2011 of \$438.5 million increased by \$37.3 million or 9.3% primarily due to increases in cash and cash equivalents of \$6.8 million, investments of \$24.7 million and net student receivables of \$5.2 million. Total current assets represent coverage of current operating expenses excluding depreciation and amortization of approximately nine months. The System's current ratio of 1.6:1 at the end of the fiscal year was better than last fiscal year

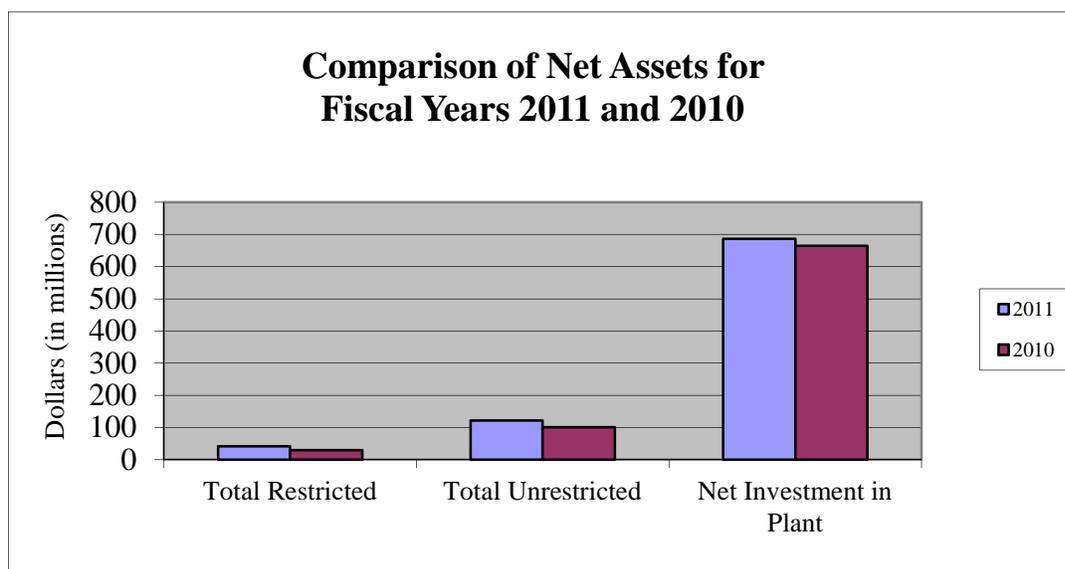
Current assets at June 30, 2010 of \$401.2 million increased by \$45.6 million or 12.8% primarily due to increases in cash and cash equivalents of \$42.9 million and net student receivables of \$9.3 million, offset by a decrease in Due from the State of Connecticut of \$8.1 million. Total current assets represented coverage of current operating expenses excluding depreciation and amortization of approximately eight months. The System's current ratio of 1.4:1 at the end of the fiscal year was slightly better than the previous fiscal year.

Total non-current assets at June 30, 2011, of \$1,007.8 million increased by \$18.1 million or 1.8% from the fiscal year 2010 level of \$989.7 million primarily due to increases in net investment in plant of \$6.0 million and cash and equivalents of \$10.9 million. Total non-current assets at June 30, 2010, of \$989.7 million decreased by \$19.6 million or 1.9% from the fiscal year 2009 level of \$1,009.3 million primarily due to a decrease in net investment in plant of \$18.0 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, 2011 and 2010**



NET INVESTMENT IN PLANT					
June 30, 2011, 2010 and 2009					
(\$ In millions)					
				\$	%
	2011	2010	2009	Increase (Decrease) 10-11	Increase (Decrease) 10-11
Land	\$19.8	\$18.4	\$18.4	\$1.4	7.6
Buildings & Improvements	1114.5	1,085.1	1,070.4	29.4	2.7
Land Improvements	84.4	81.4	76.6	3.0	3.7
Furniture, Fixtures & Equipment	137.0	134.2	132.5	2.8	2.1
Library books and materials	62.2	58.8	55.7	3.4	5.8
Construction in progress	23.0	14.3	15.9	8.7	60.8
Total Investment in Plant	1,440.9	1,392.2	1,369.5	48.7	3.5
Less Accumulated Depreciation	588.0	545.2	504.5	42.8	7.8
Investment in Plant, Net of Depreciation	\$852.9	\$847.0	\$865.0	\$5.9	.7

At fiscal year end June 30, 2011, the System had total investment in plant assets of \$1,440.9 million, an increase of \$48.7 million or 3.5% over the fiscal year end 2010 level of \$1,392.2 million. This increase was primarily due to the completion of a parking garage at one of our universities and other projects that are at various stages of completion. Total additions to depreciable capital assets of \$47.7 million during the fiscal year reflect the System's continued commitment to provide its students with state-of-art buildings and equipment.

Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2011 and 2010

At fiscal year end June 30, 2010, the System had total investment in plant assets of \$1,392.2 million, an increase of \$22.7 million or 1.7% over the fiscal year end 2009 level of \$1,369.5 million. This increase was primarily due to various improvements to existing buildings during the fiscal year. Total additions to depreciable capital assets of \$34.5 million during the fiscal year reflect the deferral of the second year of funding through the CSUS 2020 program, described below, as well as a reduction in bond fund allocations to CSUS by the Bond Commission during the year.

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, \$19.3 million was allocated by the Bond Commission during 2009, \$2.0 million was allocated by the Bond Commission during 2010, and \$12.8 million was allocated by the Bond Commission during 2011, bringing the total amount of allocations to CSUS between 1997 and 2011 to \$707.3 million.

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. During FY 2009, the CSU System received \$95 million to finance the first year of the program. In FY 2010, the Governor deferred funding of the second year of the program, due to the fiscal condition of the state. In FY 2011, CSUS received the \$95 million that had been deferred in FY 2010.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the fifteenth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Funds available from seven CHEFA bond issues totaled \$402.4 million. In addition, \$49.5 million was issued in February 2004, \$48.5 million was issued in June 2005, \$62.8 million was issued in April 2007, and \$14.0 million was issued in June 2011 to refund selected maturities from prior CHEFA bond issues. The auxiliary service capital plan was reviewed and updated in 2011 and identifies funding requirements for projects through fiscal year 2015, requiring approximately \$340.9 million in additional funds. Funding for the \$340.9 million program includes \$20 million provided by the State in general obligation bonds to finance auxiliary service projects that otherwise would be financed by the System through CHEFA.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2011 and 2010**

Statement of Revenues, Expenses and Changes in Net Assets

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS June 30, 2011, 2010 and 2009 (\$ In millions)					
	2011	2010	2009	\$	%
				Increase (Decrease) 10-11	Increase (Decrease) 10-11
Operating Revenues					
Tuition and fees	\$255.0	\$243.7	\$222.1	\$11.3	4.6
Auxiliary revenues	91.1	87.1	80.7	4.0	4.6
Grants & Indirect Cost Recoveries	66.3	61.6	54.2	4.7	7.6
Other	15.6	16.5	12.5	(.9)	(5.5)
Total Operating Revenues	428.0	408.9	369.5	19.1	4.7
Less: Operating Expenses before depreciation and amortization	601.5	572.7	569.6	28.8	5.0
Depreciation	51.4	49.4	50.0	2.0	4.0
Amortization	.1	.4	.4	(.3)	(75.0)
Operating Loss	(225.0)	(213.6)	(250.5)	(11.4)	(5.3)
Non-Operating Revenues (Expenses)					
State Appropriations	270.5	254.8	248.5	15.7	6.2
Investment Income	1.3	1.5	4.5	(.2)	(13.3)
Other	8.7	(20.0)	37.5	28.7	143.5
Total Non-Operating Revenues (Expenses)	280.5	236.3	290.5	44.2	18.7
Increase in Net Assets	55.5	22.7	40.0	32.8	144.5
Net Assets, beginning of year	795.1	772.4	732.4	22.7	2.9
Net Assets, end of year	\$850.6	\$795.1	\$772.4	55.5	7.0

In fiscal year 2011, CSUS changed its policy to record interest expense and loss on disposal of capital assets as non-operating expenses. In prior years, these expenses were included in operations of facilities under operating expenses.

Total net revenues of \$708.5 million for the fiscal year increased by \$63.3 million or 9.8% compared to the revised fiscal year 2010 level of \$645.2 million. The increase in total net revenues was primarily due to increases in state appropriations of \$15.7 million, State financed plant facilities of \$12.3 million, tuition and auxiliary revenues of \$15.3 million, Federal grants of \$5.0 million and no transfers to the State of Connecticut in 2011, resulting in a savings of \$15.0 million. Operating revenues of \$428.0 million at June 30, 2011 increased by \$19.1 million or 4.7% from the revised previous year value of \$408.9 million,

Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2011 and 2010

primarily due to increases in tuition and fees of \$11.3 million, auxiliary revenues of \$4.0 million and grants of \$4.5 million. The increase in tuition and fees over the prior year is due to an average 6.3% increase in tuition and required fees coupled with a .6% increase in total annualized FTE enrollment.

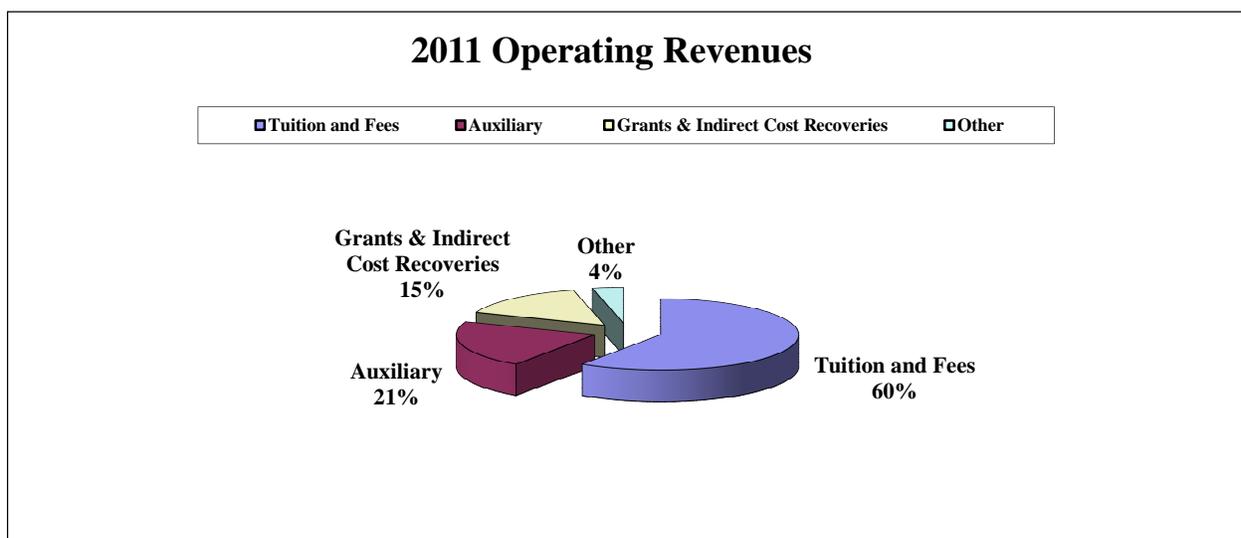
In fiscal year 2010, revised total net revenues of \$645.2 million decreased by \$14.8 million or 2.2% compared to the revised fiscal year 2009 level of \$660.0 million. This decrease was primarily due to a \$15 million transfer to the State of Connecticut, \$13 million of which took place in fiscal year 2011. Operating revenues of \$408.9 million at June 30, 2010 increased by \$39.4 million or 10.7% from the previous year, primarily due to increases in tuition and fees of \$21.6 million, auxiliary revenues of \$6.4 million and grants of \$7.5 million. The increase in tuition and fees over the prior year is due to an average 5.4% increase in tuition and required fees coupled with a 3.0% increase in total annualized FTE enrollment.

In fiscal year 2011, state appropriations of \$270.5 million, representing 38.2% of the System's total net revenues, were \$15.7 million or 6.2% above fiscal year 2010. State appropriations are received for both operating and capital purposes. In the current year the System was allotted \$245.1 million for operating purposes and \$25.4 million for capital purposes. These allotments were 1.2% and 99.3% 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 full time salary and fringe benefit costs are funded from State appropriations. The receipt of title to plant facilities of \$17.3 million during the fiscal year increased by \$12.3 million or 245.9% from the prior year's level of \$5.0 million

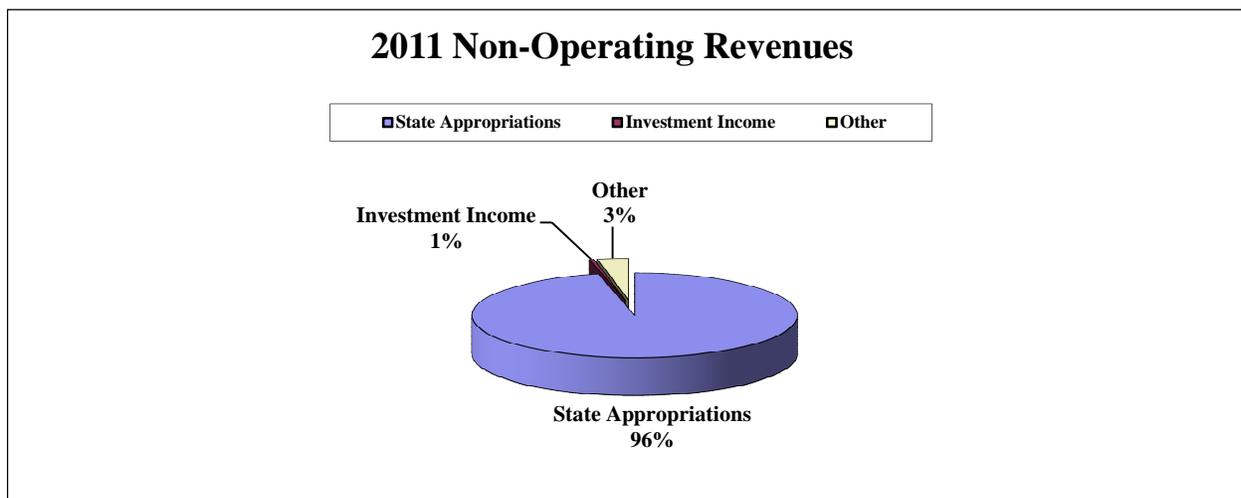
Investment income of \$1.3 million decreased by \$.2 million or 13.3% below fiscal year 2010. This decrease in investment income was due to a decrease in interest rates during fiscal year 2011.

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

Revenue by Source



**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2011 and 2010**



OPERATING EXPENSES					
June 30, 2011, 2010 and 2009					
(\$ In millions)					
				\$	%
	2011	2010	2009	Increase (Decrease) 10-11	Increase (Decrease) 10-11
Operating Expenses					
Personnel service and fringes	\$409.4	\$387.4	\$402.3	\$22.0	5.7
Professional services and contracts	26.0	26.7	24.7	(.7)	(2.6)
Educational and support services	89.4	83.4	71.3	6.0	7.2
Facilities	50.5	48.7	43.3	1.8	3.7
Other	26.2	26.5	28.3	(.3)	(1.1)
Depreciation	51.4	49.5	50.0	1.9	3.8
Amortization	.1	.4	.4	(.3)	(75.0)
Total Operating Expenses	\$653.0	\$622.6	\$620.3	\$30.4	4.9

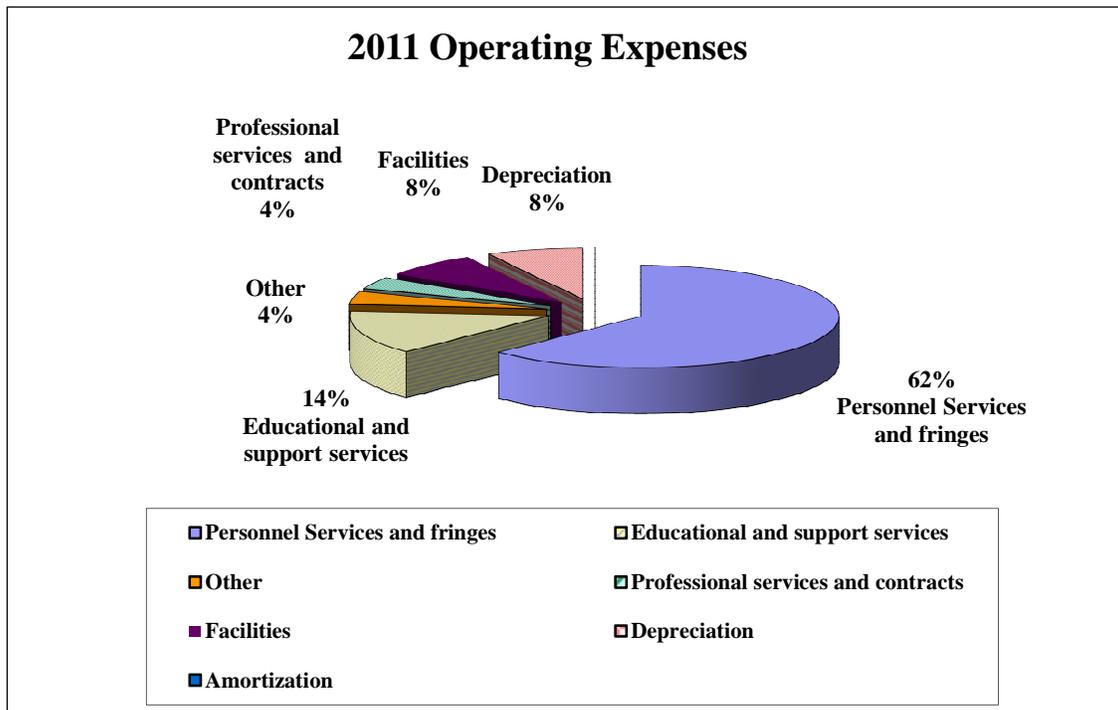
In fiscal year ended June 30, 2011, total operating expenses less depreciation and amortization of \$601.5 million increased by \$28.8 million or 5.0% from the revised prior fiscal year. The increase was primarily due to increases in educational and support services of \$6.0 million due to increases in Federal and institutional need-based financial aid and personnel service and fringes of \$22.0 million due to salary increases and retirement payouts.

In fiscal year ended June 30, 2010, revised total operating expenses less depreciation and amortization of \$572.7 million increased by \$2.8 million or .5% from the revised prior fiscal year. Educational and

**Connecticut State University System
 Management’s Discussion and Analysis (Unaudited)
 June 30, 2011 and 2010**

support services increased by \$12.0 million mainly due to increases in Federal and institutional need-based financial aid. Facilities expense and professional services and contracts expense increased by \$5.4 million and \$2.0 million, respectively. Partially offsetting the operating expense increases was \$14.9 million or 3.7% decrease in personnel services and fringes due to a salary freeze as well as a reduction in systemwide personnel.

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)
June 30, 2011 and 2010**

Statement of Cash Flows

STATEMENT OF CASH FLOWS					
June 30, 2011, 2010 and 2009					
(\$ In millions)					
				\$	%
	2011	2010	2009	Increase (Decrease) 10-11	Increase (Decrease) 10-11
Cash provided (used) by					
Operating Activities	\$(173.4)	\$(161.4)	\$(194.4)	(12.0)	(7.4)
Non-Capital Financing Activities	236.2	244.6	243.4	(8.4)	(3.4)
Capital & Related Financing Activities	(20.9)	(42.9)	(42.3)	22.0	51.3
Investing Activities	(24.2)	2.4	6.2	(26.6)	(1000.8)
Net Increase (Decrease) in Cash	17.7	42.7	12.9	(25.0)	(58.5)
Cash, beginning of year	275.5	232.8	219.9	42.7	18.3
Cash, end of year	\$293.2	\$275.5	\$232.8	17.7	6.4

The System's change in its net increase in cash and cash equivalents at June 30, 2011 of \$(25.0) million or 58.5% is primarily due to an increase in state appropriations receipts of \$24.0 million offset by decreases in cash due to the purchase of capital assets of \$26.0 million, the repayment of debt service of \$13.6 million and a reduction in tuition and fees revenues of \$6.8 million.

Enrollment

The following table indicates historical enrollment of undergraduate and graduate students for the 2006-2007 through 2010-2011 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
2011	30,122	1.4%	6,507	(4.4%)	36,629	0.3%	28,631	0.6%
2010	29,695	1.5%	6,808	2.7%	36,503	1.7%	28,473	3.0%
2009	29,263	2.5%	6,628	(2.8%)	35,891	1.4%	27,641	2.7%
2008	28,564	.2%	6,820	(6.5%)	35,384	(1.2%)	26,922	1.4%
2007	28,503	2.1%	7,292	(3.6%)	35,795	0.9%	26,547	1.5%

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2011 and 2010**

Student Admissions

The table below shows the total of new full-time freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of academic years 2007 through 2011.

Fall Semester First-Time Full-Time Student Admissions					
Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2011	20,173	63.4%	12,792	35.1%	4,492
2010	20,280	61.4%	12,447	35.9%	4,471
2009	19,587	60.1%	11,777	38.1%	4,489
2008	19,907	57.1%	11,360	40.0%	4,539
2007	18,044	57.2%	10,321	44.1%	4,551

Economic Outlook

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 74.2% of the total revenues of the System in 2011. The System received \$245.1 million in State appropriations for operating activities in fiscal year 2011, and currently anticipates appropriations of \$221.4 million in fiscal year 2012.

Connecticut continues to face challenging economic conditions. The State entered the recession later than other states, and its recovery is expected to lag the national recovery as well. The state lost more than 100,000 jobs between March 2008 and December 2009, and has only added approximately 30,000 jobs since the employment low of early 2010. On the upside, Connecticut's export sector has experienced double-digit growth since the end of the recession, and personal income and wage and salary income is up slightly. Recovery is expected to continue at a slower-than-average pace.

The State ended the 2011 fiscal year with a surplus of \$236.9 million, and per the Office of the State Comptroller a slight budget surplus is projected for FY 2012; however, the majority of this surplus is anticipated to be used to offset the deficit associated with converting from budgetary to GAAP (Generally Accepted Accounting Principles) basis of accounting, with the remainder reserved to pay off Economic Recovery Notes issued to finance the FY 09 deficit, as required by section 511 of Public Act 09-3, June Special Session. The deficit that will be realized upon the State's conversion to GAAP basis of accounting is primarily due to the fact that the State currently records expenses as they are paid in cash (budgetary basis), whereas under GAAP, expenses will be recognized when the expense is incurred resulting in an increase in recorded liabilities. A surplus of approximately \$440 million is currently forecast for FY 2013; however, as in FY12, a portion of this surplus would be used to offset the GAAP deficit, and the remaining non-appropriated surplus would be used to redeem 2009 Economic Recovery Notes.

Operating revenues increased in fiscal year 2011 and are expected to increase in fiscal year 2012. Full time equivalent (FTE) enrollment at the System has increased every year since fiscal year 1996, and is at an all-time high; projected FTE enrollment for fiscal year 2012 anticipates a slight increase.

Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2011 and 2010

CSUS has been working on a number of initiatives to bolster access and student readiness, including several programs to ensure that high school graduates are better prepared for college. CSUS has adopted new minimum standards for admission beginning with the incoming freshmen of 2015 at Central, Eastern, Southern and Western. These standards reflect the requirements of today's competitive global economy, the societal and workplace needs for critical thinking skills and core competencies, and the increased role of technological know-how in all aspects of life. The new standards are consistent with the state's revised requirements for high school graduation, as approved by the state legislature and State Board of Education. The "Building a Bridge to Improve Student Success" program, collaboration between Western Connecticut State University and the Danbury and Bethel school districts, has brought dramatic reductions in the number of students needing remedial classes, and the initiative has been extended to include middle schools and science, in addition to English and mathematics. Similar efforts are underway at each of the universities, as faculty work with teachers in local school districts around the state. Finally, CSUS recently highlighted the addition of academic programs in mechanical and civil engineering programs at Central Connecticut State University, with enrollment surpassing initial expectations.

CSUS anticipates that the amount of State appropriation available for operating purposes in the next few years will decline. At the same time, CSUS must be ready to serve an ever-growing population of current and potential students. CSUS is well prepared to meet these coming challenges. Since early 2008, it has proactively and voluntarily adopted measures to economize and conserve resources. It actively seeks out process redesign and efficiencies while maintaining a quality educational experience for its students.

CSUS increased tuition and required fees on average by 6.3% in fiscal year 2011, versus an average increase nationally of 7.9%. However, in order to ensure that a CSUS education continues to be accessible and affordable, the System also processed \$5.6 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 2009 the Bond Commission approved funding for "CSUS 2020", 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 provides additional flexibility in the allocation of bond funds, thus allowing for more timely completion of major university construction projects. CSUS 2020 is structured to provide \$95 million per year for each of the ten years of the program; funding for any individual year of the program may be deferred by the Governor in whole or in part. During FY 2009, the CSU System received \$95 million to finance the first year of the program. In FY 2010, the Governor deferred funding of the second year of the program, due to the fiscal condition of the state. In FY 2011 CSUS received the \$95 million that had been deferred in FY 2010, and fully expects to receive the entire \$950 million in program funding over the course of the next eight years.

During fiscal year 2011, at Central Connecticut State University construction was completed on window replacements for two classroom buildings; HVAC improvements at one residence hall and at several administrative, academic and support facilities; renovations to the library's first floor; as well as improvements to the intercollegiate football field. In addition, design was completed for a new public safety facility. Construction commenced on a new classroom/office building, a new engineering laboratory facility, and a new maintenance/salt shed facility, as well as the installation of a copper roof on a classroom building. Projects completed at Eastern Connecticut State University included a new 808-vehicle parking garage, a new campus entranceway, a new data center, phase I of renovations to an administrative office facility, renovations to two residence halls, and high temperature and hot water infrastructure repairs; and work commenced on interior repairs to an administrative support building and

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2011 and 2010**

foundation repairs to a boiler plant. In addition, design activities commenced for a new fine arts instructional center, an athletic support building, and a new facilities warehouse. Construction activities continued on masonry repairs to the campus sports center. Construction projects begun at Southern Connecticut State University included a new 1,200 vehicle parking garage, renovation and conversion of a building into the School of Business, mechanical upgrades in two classroom buildings, two roof replacements, renovations and upgrades to two residential life facilities, athletic field turf replacement, and renovations to the field house locker rooms; as well as the start of design for a new academic/laboratory facility. Projects completed at Western Connecticut State University included HVAC upgrades to IT systems rooms, purchase of a warehouse facility, and design of a new School of Visual and Performing Arts. Construction projects begun at Western included mechanical modifications to the university heat plant, renovation of a former lecture hall into a classroom, stairway upgrades in two administrative facilities, and fire alarm upgrades to a classroom building; while comprehensive exterior renovations to a classroom building continued, and a campus-wide Environmental Impact Evaluation was begun.

Just as the state economy, while still challenging, is beginning to show signs of recovery, the national economy is also beginning to rebound, albeit sluggishly. In general, economists anticipate that GDP growth will strengthen in coming quarters but still remain well below the average growth rate for the U.S. economy over the long run. Still, many economists see less risk of a new or "double-dip" U.S. recession.

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, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents (Notes 2 and 12)	\$ 176,958,414	\$ 170,121,297
Investments (Note 2)	38,382,287	13,705,194
Student receivables	172,834,307	170,894,634
Allowance-doubtful student receivables	(2,910,292)	(6,164,223)
Student receivables, net (Note 3)	<u>169,924,015</u>	<u>164,730,411</u>
Student loans receivable (Notes 3 and 4)	1,566,837	1,520,338
Grants receivable, net (Note 3)	2,224,987	2,479,067
Miscellaneous receivables, net (Note 3)	1,546,414	1,798,303
Due from the State of Connecticut (Notes 1 and 5)	44,390,895	43,693,555
Prepaid expenses and other current assets	3,462,361	3,155,990
Total current assets	<u>438,456,210</u>	<u>401,204,155</u>
Noncurrent assets		
Cash and cash equivalents (Notes 2 and 12)	116,227,270	105,351,844
Investments (Note 2)	26,566,294	25,760,370
Student loans receivable	12,667,346	12,425,458
Allowance-doubtful loan receivables	(2,803,270)	(2,727,528)
Loans receivable, net (Notes 3 and 4)	<u>9,864,076</u>	<u>9,697,930</u>
Other assets	2,266,325	1,910,201
Investment in plant	1,440,894,327	1,392,198,985
Accumulated depreciation	(587,962,680)	(545,252,952)
Investment in plant, net of accumulated depreciation (Note 6)	<u>852,931,647</u>	<u>846,946,033</u>
Total noncurrent assets	<u>1,007,855,612</u>	<u>989,666,378</u>
Total assets	<u>\$ 1,446,311,822</u>	<u>\$ 1,390,870,533</u>

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

Connecticut State University System
Combined Statements of Net Assets
June 30, 2011 and 2010

(Continued)

	2011	2010
Liabilities		
Current liabilities		
Accounts payable	\$ 9,334,906	\$ 9,993,219
Accrued salaries and benefits	51,500,176	49,300,230
Accrued compensated absences (Note 7)	2,148,016	1,961,364
Due to the State of Connecticut	3,261,082	16,217,871
Deferred revenue (Note 9)	185,058,393	183,247,432
Bonds payable (Note 8)	18,350,340	18,523,915
Accrued bond interest payable	1,899,900	1,916,610
Capital lease obligation (Note 8)	8,102	6,424
Other liabilities	3,697,762	3,284,688
Depository accounts	3,715,280	3,578,463
Total current liabilities	<u>278,973,957</u>	<u>288,030,216</u>
Noncurrent liabilities		
Accrued compensated absences (Note 7)	31,966,609	32,103,974
Bonds payable (Note 8)	268,565,197	259,141,275
Federal loan program advances	9,777,097	9,777,097
Deferred compensation	190,057	398,427
Other liabilities (Note 7)	6,243,329	6,296,365
Capital lease obligation (Note 8)	5,874	12,213
Total noncurrent liabilities	<u>316,748,163</u>	<u>307,729,351</u>
Total liabilities	<u>595,722,120</u>	<u>595,759,567</u>
Net Assets		
Invested in capital assets, net of related debt	686,810,624	664,708,567
Restricted		
Nonexpendable	560,409	874,612
Expendable	41,413,695	28,597,463
Unrestricted	121,804,974	100,930,324
Total net assets	<u>850,589,702</u>	<u>795,110,966</u>
Total liabilities and net assets	<u>\$ 1,446,311,822</u>	<u>\$ 1,390,870,533</u>

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, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents (Note 2)	\$ 5,170,730	\$ 4,919,149
Investments (Note 2)	69,839,095	56,178,959
Contributions and other receivables (Note 3)	4,880,574	782,350
Prepaid expenses and other assets	987,295	967,860
Investment in plant, net (Note 6)	4,256,980	4,187,779
Total assets	<u>\$ 85,134,674</u>	<u>\$ 67,036,097</u>
Liabilities		
Accounts payable	\$ 125,229	\$ 168,516
Custodial obligation payable	43,350	51,325
Other liabilities	909,577	433,454
Long-term debt (Note 8)	-	20,864
	<u>1,078,156</u>	<u>674,159</u>
Net assets		
Permanently restricted	60,976,047	52,822,696
Temporarily restricted	22,183,083	13,137,504
Unrestricted	897,388	401,738
Total net assets	<u>84,056,518</u>	<u>66,361,938</u>
Total liabilities and net assets	<u>\$ 85,134,674</u>	<u>\$ 67,036,097</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, 2011 and 2010

	2011	2010
Operating revenues		
Tuition and fees		
Tuition and fees	\$ 291,055,926	\$ 275,248,275
Less		
Scholarships allowance	25,017,499	21,127,941
Waivers	11,046,307	10,420,594
Tuition and fees, net of scholarship allowances and waivers	<u>254,992,120</u>	<u>243,699,740</u>
Federal grants and contracts	46,790,937	41,760,605
State and local grants and contracts	15,240,478	16,025,360
Nongovernment grants and contracts	2,917,831	2,707,514
Indirect cost recoveries	1,318,578	1,107,578
Auxiliary revenues	91,098,883	87,155,149
Other operating revenues	15,638,746	16,472,406
Total operating revenues	<u>427,997,573</u>	<u>408,928,352</u>
Operating expenses (Note 13)		
Personnel service and fringe benefits	409,427,481	387,415,992
Professional services and fees	25,964,115	26,710,346
Educational services and support	89,453,429	83,393,406
Travel expenses	5,716,171	5,294,925
Operation of facilities (Note 1)	50,468,708	48,687,796
Other operating supplies and expenses	20,540,961	21,234,621
Depreciation expense	51,375,553	49,457,534
Amortization expense	95,017	380,984
Total operating expenses	<u>653,041,435</u>	<u>622,575,604</u>
Operating loss	<u>(225,043,862)</u>	<u>(213,647,252)</u>
Nonoperating revenues (expenses)		
State appropriations	245,057,506	242,054,721
Gifts	1,499,845	985,046
Investment income	1,295,335	1,562,426
Interest expense (Note 1)	(11,471,317)	(11,876,199)
State financed plant facilities (Note 1)	17,262,848	4,990,231
Other nonoperating revenues	2,247,727	2,557,740
Transfers to the State of Connecticut (Note 1)	-	(15,000,000)
Net nonoperating revenues	<u>255,891,944</u>	<u>225,273,965</u>
Income before other changes in net assets	30,848,082	11,626,713
Other changes in net assets		
State appropriations restricted for capital purposes	25,417,098	12,752,718
Gain (loss) on disposal of capital assets (Note 1)	(786,444)	(1,631,202)
Net other changes in net assets	<u>24,630,654</u>	<u>11,121,516</u>
Net increase in net assets	55,478,736	22,748,229
Net assets		
Net assets - beginning of year	<u>795,110,966</u>	<u>772,362,737</u>
Net assets - end of year	<u>\$ 850,589,702</u>	<u>\$ 795,110,966</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, 2011 and 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010
Revenues, gains and other support					
Contributions	\$ 1,692,629	\$ 2,629,838	\$ 7,158,717	\$ 11,481,184	\$ 8,817,702
Program income	145,280	257,692	8,995	411,967	328,275
Investment income	299,716	1,236,982	5,590	1,542,288	1,467,615
Gain on investments	501,557	9,526,953	13,239	10,041,749	4,462,792
Other income	229,391	2,740	1,800	233,931	357,026
Net assets released from restrictions	3,431,998	(3,431,998)	-	-	-
Total revenues, gains and other support	<u>6,300,571</u>	<u>10,222,207</u>	<u>7,188,341</u>	<u>23,711,119</u>	<u>15,433,410</u>
Operating expenses					
Scholarships and awards	519,546	-	-	519,546	524,263
University support	3,245,146	-	-	3,245,146	3,186,245
Auxiliary services	484,136	-	-	484,136	424,234
Academic enrichment	799,226	-	-	799,226	845,422
Fundraising	664,624	-	-	664,624	741,834
Management and general	303,861	-	-	303,861	321,533
Total operating expenses	<u>6,016,539</u>	<u>-</u>	<u>-</u>	<u>6,016,539</u>	<u>6,043,531</u>
Transfers between funds	65,980	(1,033,935)	967,955	-	-
Changes in net assets	<u>350,012</u>	<u>9,188,272</u>	<u>8,156,296</u>	<u>17,694,580</u>	<u>9,389,879</u>
Net assets					
Beginning of year	<u>550,321</u>	<u>12,988,921</u>	<u>52,822,696</u>	<u>66,361,938</u>	<u>56,972,059</u>
End of year	<u>\$ 900,333</u>	<u>\$ 22,177,193</u>	<u>\$ 60,978,992</u>	<u>\$ 84,056,518</u>	<u>\$ 66,361,938</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, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Tuition and fees	\$ 226,792,658	\$ 233,609,832
Grants and contracts	64,987,658	60,242,797
Auxiliary revenues	89,119,148	74,578,554
Other operating revenues	18,336,657	19,389,456
Payments to employees for salaries and benefits	(407,086,521)	(386,414,014)
Payments to suppliers	(6,805,347)	(7,467,078)
Professional services and fees	(25,925,948)	(26,593,494)
Educational services and support	(89,401,643)	(83,577,133)
Travel expenses	(5,721,756)	(5,275,391)
Operation of facilities	(48,735,031)	(50,660,354)
Other operating supplies and expenses	(14,543,926)	(13,923,697)
University fee receipts	25,609,208	24,696,177
	<u>(173,374,843)</u>	<u>(161,394,345)</u>
Net cash used in operating activities		
Cash flows from noncapital financing activities		
State appropriations	245,785,962	243,013,691
Gifts for other than capital purposes	1,499,846	985,048
Nonoperating revenue other	2,247,147	2,601,387
Nonoperating revenue other - transfer to state	(13,329,588)	(2,000,000)
	<u>236,203,367</u>	<u>244,600,126</u>
Net cash provided by noncapital financing activities		
Cash flows from investing activities		
Proceeds from sales and maturities of investments	5,256,143	2,409,282
Purchases of investments	(30,739,160)	(1,694,008)
Interest and dividends received on investments	1,315,280	1,667,126
	<u>(24,167,737)</u>	<u>2,382,400</u>
Net cash provided by (used in) investing activities		
Cash flows from capital and related financing activities		
Cash paid for capital assets	(57,440,968)	(31,435,092)
State capital appropriations received	40,995,173	19,739,167
Proceeds of new bond issuance	41,045,000	-
Repayments of capital debt and leases	(32,986,510)	(18,976,344)
Interest paid on capital debt and leases	(11,850,820)	(12,226,754)
Payments on bond issuance costs	(735,039)	-
Proceeds from the sale of equipment	24,920	6,650
	<u>(20,948,244)</u>	<u>(42,892,373)</u>
Net cash used in capital and related financing activities		
Net increase in cash and cash equivalents		
	17,712,543	42,695,808
Cash and cash equivalents, beginning of year	<u>275,473,141</u>	<u>232,777,333</u>
Cash and cash equivalents, end of year	<u>\$ 293,185,684</u>	<u>\$ 275,473,141</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, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (225,043,862)	\$ (213,647,252)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	51,375,553	49,457,534
Bad debt write-offs (recoveries)	21,211	(140,540)
Amortization	95,017	380,984
Changes in assets and liabilities:		
Receivables	(4,921,493)	(9,575,086)
Prepaid expenses and other	56,292	(728,754)
Accounts payable	(609,199)	(493,858)
Accrued salaries	2,199,947	(1,278,194)
Other liabilities	1,306,903	(683,561)
Due to/from the State of Connecticut	372,799	(16,625)
Deferred revenues	1,810,962	13,382,023
Deferred compensation	(208,370)	126,073
Deposit accounts	136,817	(167,838)
Accrued bond interest payable	(16,710)	(112,659)
Accrued compensated absences	49,290	2,103,408
Net cash used in operating activities	<u>\$ (173,374,843)</u>	<u>\$ (161,394,345)</u>
Noncash financing activity		
Fixed assets acquired by incurring capital lease obligations	\$ 87,169	\$ -
Fixed assets included in accounts payable	\$ 2,305,272	\$ 2,339,016
State financed plant facilities	\$ 17,262,848	\$ 4,990,231
Reconciliation of cash and cash equivalents to the combined statements of net assets		
Cash and cash equivalents classified as current assets	\$ 176,958,414	\$ 170,121,297
Cash and cash equivalents classified as noncurrent assets	<u>116,227,270</u>	<u>105,351,844</u>
	<u>\$ 293,185,684</u>	<u>\$ 275,473,141</u>

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

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2011 and 2010

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.

On June 13, 2011, the Governor signed legislation that consolidated the governance of the Connecticut State University System (“CSUS”), the Community-Technical College System (“CTC”) and Charter Oak State College (“Charter Oak”) under a single Board of Regents for Higher Education (“BOR”). The BOR is to become effective July 1, 2011, but the existing college and University System boards of trustees will remain in place until January 1, 2012. On and after January 1, 2012, the BOR will serve as the CSUS and CTC boards of trustees and as the Board of State Academic Awards (“BSAA”) (which governs Charter Oak) and will assume their existing powers and duties for the operation of the constituent units.

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

Effective July 1, 2001, the CSUS elected to apply all Governmental Accounting Standards Board (“GASB”) pronouncements and Financial Accounting Standards Board (“FASB”) pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements, under the provisions of GASB Statement No. 20 “Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting”.

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 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.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2011 and 2010

- 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).

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 educational 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 non-operating. 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 non-operating revenues, as defined by GASB Statement No. 35. In prior years, interest expense and loss on disposal of capital assets were recorded through operations. In 2011, CSUS changed its policy to record such expenses through non-operating revenues (expenses).

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, which include guidelines for *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.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2011 and 2010

Affiliated alumni associations with unaudited total net assets of approximately \$.9 million at both June 30, 2011 and 2010, 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.
- **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, 2011 and 2010. 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, 2011 and 2010. 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, 2011 and 2010. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2011 and 2010 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, 2011 and 2010. Long-term liabilities include balances that are expected to be paid after one year from June 30, 2011 and 2010.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010.

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.

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 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 \$832,548 and \$915,333 at June 30, 2011 and 2010, 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.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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, 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
Library materials	10 - 20 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 thru June 30, 2011. Effective July 1, 2011, major construction projects are managed and controlled by the Department of Construction Services of the State of Connecticut ("DCS"). When the project is complete and/or when title passes from DPW or its successor DCS 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 \$17.3 million and \$5.0 million for the years ended June 30, 2011 and 2010, 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 expense for the years ended June 30, 2011 and 2010 were \$222,931 and \$242,785, respectively.

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 \$10.5 million and \$11.0 million for the fiscal years ended June 30, 2011 and 2010, respectively. Interest capitalized for the fiscal years ended June 30, 2011 and 2010, totaled \$.6 million. The cumulative capitalized interest was \$9.6 million and \$9.0 million as of June 30, 2011 and 2010, respectively. The capitalized interest is being amortized over 35 years. Amortization of capitalized interest for the years ended June 30, 2011 and 2010 was \$.4 million each year.

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).

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2011 and 2010

Due from/Due to 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 \$ 29.7 million and \$29.6 million as of June 30, 2011 and 2010, 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, 2011 and 2010, 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).

Connecticut Public Act 09-7 was signed into law by the Governor during fiscal year 2010 and included a requirement that a total of \$15 million (\$2 million in fiscal year 2010 and \$13 million in fiscal year 2011) be transferred from the CSUS operating reserves to the State of Connecticut's General Fund. This was a mandatory legal requirement as of June 30, 2010; therefore, CSUS recorded a liability to the State of Connecticut in fiscal year 2010 for the \$13 million that was transferred in fiscal year 2011.

Deferred Revenues

Deferred revenues consist primarily of tuition and fees that have been billed or collected at June 30, 2011 and 2010, but applicable to the 2011 or 2010 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, 2011 and 2010 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.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

Revision of Prior Year Financial Statements

In prior years, the interest expense for capital debt and leases and loss on disposal of capital assets totaling approximately \$13.5 million was incorrectly reported as operating expenses on the Statement of Revenues, Expenses and Changes in Net Assets and as cash from operating activities on the Statement of Cash Flows. During 2011, CSUS has changed this reporting to reflect these expenses as non-operating (\$11.9 million as interest expense and \$1.6 million as loss on disposal of capital assets) and as cash flows from capital and related financing activities and has revised the 2010 financial statements to reflect this correction. CSUS has also revised the 2010 financial statements to reduce auxiliary revenues and operating expenses by approximately \$4.1 million relating to intercompany revenue and expense activity which was grossed up in prior year. Management does not believe that these revisions are material to any previously issued financial statements. The following 2010 financial statement amounts were affected by these changes:

	As Originally Reported	As Adjusted	Change
Statement of Revenues, Expenses and Changes in Net Assets			
Auxiliary revenues	\$ 91,245,504	\$ 87,155,149	\$ (4,090,355)
Total operating revenues	\$ 413,018,707	\$ 408,928,352	\$ (4,090,355)
Operation of facilities	\$ 64,624,237	\$ 48,687,796	\$ (15,936,441)
Other operating supplies and expenses	\$ 22,895,936	\$ 21,234,621	\$ (1,661,315)
Operating expenses	\$ 640,173,360	\$ 622,575,604	\$ (17,597,756)
Operating loss	\$ (227,154,653)	\$ (213,647,252)	\$ 13,507,401
Interest expense	\$ -	\$ (11,876,199)	\$ (11,876,199)
Net nonoperating revenues	\$ 237,150,164	\$ 225,273,965	\$ (11,876,199)
Gain (loss) on disposal of capital assets	\$ -	\$ (1,631,202)	\$ (1,631,202)
Net other changes in net assets	\$ 12,752,718	\$ 11,121,516	\$ (1,631,202)
Net increase in net assets	\$ 22,748,229	\$ 22,748,229	\$ -
Statement of Cash Flows			
Auxiliary revenues	\$ 78,668,909	\$ 74,578,554	\$ (4,090,355)
Operation of facilities	\$ (66,596,795)	\$ (50,660,354)	\$ 15,936,441
Other operating supplies and expenses	\$ (15,585,012)	\$ (13,923,697)	\$ 1,661,315
Net cash used in operating activities	\$ (174,901,746)	\$ (161,394,345)	\$ 13,507,401
Cash paid for capital assets	\$ (30,147,795)	\$ (31,435,092)	\$ (1,287,297)
Interest paid on capital debt and leases	\$ -	\$ (12,226,754)	\$ (12,226,754)
Proceeds from the sale of equipment	\$ -	\$ 6,650	\$ 6,650
Cash flows from capital and related financing activities	\$ (29,384,972)	\$ (42,892,373)	\$ (13,507,401)

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents includes approximately \$34.2 million and \$75.2 million at June 30, 2011 and 2010, 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.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010 were .18% and .21%, respectively. CSUS operating funds held by the State that participated in the aforementioned program were \$245.1 million and \$188.6 million at June 30, 2011 and 2010, respectively.

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

	2011		2010	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 293,185,684	\$ 293,185,684	\$ 275,473,141	\$ 275,473,141
U.S. Mutual Funds- Governmental	49,643,337	49,643,337	23,338,180	23,338,180
Guaranteed Investment Contracts	15,305,244	15,305,244	15,494,493	15,494,493
U.S. Treasury Notes	-	-	645,896	632,891
	<u>\$ 358,134,265</u>	<u>\$ 358,134,265</u>	<u>\$ 314,951,710</u>	<u>\$ 314,938,705</u>

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

	2011		2010	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 5,170,730	\$ 5,170,730	\$ 4,919,149	\$ 4,919,149
Investments	64,845,521	69,839,095	60,266,723	56,178,959
	<u>\$ 70,016,251</u>	<u>\$ 75,009,825</u>	<u>\$ 65,185,872</u>	<u>\$ 61,098,108</u>

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

CSUS follows 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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

guaranteed investment contracts was AA+, as rated by Standard & Poor's Ratings as of June 30, 2011.

Custodial Credit Risk – At June 30, 2011 and 2010, the carrying amount of CSUS's bank deposits was \$2.3 million and \$1.6 million, respectively, as compared to bank balances of \$4.8 million and \$4.6 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, \$.8 million and \$.5 million at June 30, 2011 and June 30, 2010, respectively, are covered by federal deposit insurance. The remaining balance of \$4.0 million at June 30, 2011 is insured from loss under Section 343 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (“DFA”). From December 31, 2010 through December 31, 2012, DFA provides unlimited deposit insurance coverage for non-interest bearing transaction accounts at all FDIC insured depository institutions. The remaining balance of \$4.1 million at June 30, 2010 was 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. 81% 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, 2011 compared to 87% at the end of fiscal year 2010.

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:

Debt Securities	2011				
	Investment Maturities (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	\$ 49,643,337	\$ 49,643,337	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	15,305,244	-	-	3,003	15,302,241
	<u>\$ 64,948,581</u>	<u>\$ 49,643,337</u>	<u>\$ -</u>	<u>\$ 3,003</u>	<u>\$ 15,302,241</u>

Debt Securities	2010				
	Investment Maturities (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	\$ 23,338,180	\$ 23,338,180	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	15,494,493	-	-	-	15,494,493
U.S. Treasury Notes	632,891	632,891	-	-	-
	<u>\$ 39,465,564</u>	<u>\$ 23,971,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,494,493</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

3. Receivables

Accounts receivable consisted of the following at June 30:

	2011	2010
Student accounts receivable	\$ 172,834,307	\$ 170,894,634
Student loans receivable	14,234,183	13,945,796
Grants receivable	2,364,601	2,623,264
Miscellaneous receivables	1,546,414	1,798,303
	<u>190,979,505</u>	<u>189,261,997</u>
Less allowance for doubtful accounts	<u>(5,853,176)</u>	<u>(9,035,948)</u>
Net accounts receivable	<u>\$ 185,126,329</u>	<u>\$ 180,226,049</u>

Student accounts receivable above include \$159,663,658 and \$157,798,883 representing amounts included in deferred revenue at June 30, 2011 and 2010, respectively.

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

	2011	2010
Contributions and other receivables	<u>\$ 4,880,574</u>	<u>\$ 782,350</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, 2011 and 2010. 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, 2011 and 2010, the allowance for uncollectible loans was \$2,803,270 and \$2,727,528, respectively.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

5. Due from the State of Connecticut

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

	2011	2010
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	\$ 29,855,586	\$ 29,719,429
State appropriations for capital projects	<u>14,535,309</u>	<u>13,974,126</u>
	<u>\$ 44,390,895</u>	<u>\$ 43,693,555</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).

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

6. Investment in Plant

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

	Balance June 30, 2010	Year ended June 30, 2011		Balance June 30, 2011
		Additions	Retirements and Transfers	
Capital assets not being depreciated:				
Land	\$ 18,423,756	\$ 1,347,205	\$ -	\$ 19,770,961
Capitalized collections	7,483,337	514,139	(26,252)	7,971,224
Construction in progress	14,285,743	16,753,041	(7,997,459)	23,041,325
Total capital assets not being depreciated	<u>\$ 40,192,836</u>	<u>\$ 18,614,385</u>	<u>\$ (8,023,711)</u>	<u>\$ 50,783,510</u>
Other capital assets:				
Land improvements	\$ 81,404,711	\$ 2,965,650	\$ (18,429)	\$ 84,351,932
Buildings and building improvements	1,085,088,424	30,326,999	(871,266)	1,114,544,157
Furniture, fixtures and equipment	134,217,615	10,579,256	(7,776,112)	137,020,759
Library materials	51,295,399	3,803,577	(905,007)	54,193,969
Total other capital assets	<u>1,352,006,149</u>	<u>47,675,482</u>	<u>(9,570,814)</u>	<u>1,390,110,817</u>
Less accumulated depreciation for:				
Land improvements	(38,890,607)	(3,785,734)	2,930	(42,673,411)
Buildings and building improvements	(394,666,396)	(32,515,095)	507,761	(426,673,730)
Furniture, fixtures and equipment	(84,675,373)	(11,251,387)	7,250,126	(88,676,634)
Library materials	(27,020,576)	(3,823,337)	905,008	(29,938,905)
Total accumulated depreciation	<u>(545,252,952)</u>	<u>(51,375,553)</u>	<u>8,665,825</u>	<u>(587,962,680)</u>
Other capital assets, net	<u>\$ 806,753,197</u>	<u>\$ (3,700,071)</u>	<u>\$ (904,989)</u>	<u>\$ 802,148,137</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 40,192,836	\$ 18,614,385	\$ (8,023,711)	\$ 50,783,510
Other capital assets, at cost	1,352,006,149	47,675,482	(9,570,814)	1,390,110,817
Total cost of capital assets	1,392,198,985	66,289,867	(17,594,525)	1,440,894,327
Less accumulated depreciation	<u>(545,252,952)</u>	<u>(51,375,553)</u>	<u>8,665,825</u>	<u>(587,962,680)</u>
Capital assets, net	<u>\$ 846,946,033</u>	<u>\$ 14,914,314</u>	<u>\$ (8,928,700)</u>	<u>\$ 852,931,647</u>
Component Units				
Total cost of capital assets	\$ 4,798,909	\$ 245,276	\$ (33,948)	\$ 5,010,237
Less accumulated depreciation	<u>(611,130)</u>	<u>(156,557)</u>	<u>14,430</u>	<u>(753,257)</u>
Capital assets, net	<u>\$ 4,187,779</u>	<u>\$ 88,719</u>	<u>\$ (19,518)</u>	<u>\$ 4,256,980</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

	Balance June 30, 2009	Year ended June 30, 2010		Balance June 30, 2010
		Additions	Retirements and Transfers	
Capital assets not being depreciated:				
Land	\$ 18,424,572	\$ -	\$ (816)	\$ 18,423,756
Capitalized collections	7,200,918	282,544	(125)	7,483,337
Construction in progress	15,884,659	4,828,194	(6,427,110)	14,285,743
Total capital assets not being depreciated	\$ 41,510,149	\$ 5,110,738	\$ (6,428,051)	\$ 40,192,836
Other capital assets:				
Land improvements	\$ 76,577,933	\$ 4,862,018	\$ (35,240)	\$ 81,404,711
Buildings and building improvements	1,070,368,230	16,299,422	(1,579,228)	1,085,088,424
Furniture, fixtures and equipment	132,535,260	9,888,327	(8,205,972)	134,217,615
Library materials	48,483,446	3,404,989	(593,036)	51,295,399
Total other capital assets	1,327,964,869	34,454,756	(10,413,476)	1,352,006,149
Less accumulated depreciation for:				
Land improvements	(35,127,352)	(3,764,258)	1,003	(38,890,607)
Buildings and building improvements	(364,783,274)	(30,705,832)	822,710	(394,666,396)
Furniture, fixtures and equipment	(80,395,892)	(11,557,123)	7,277,642	(84,675,373)
Library materials	(24,183,291)	(3,430,321)	593,036	(27,020,576)
Total accumulated depreciation	(504,489,809)	(49,457,534)	8,694,391	(545,252,952)
Other capital assets, net	\$ 823,475,060	\$ (15,002,778)	\$ (1,719,085)	\$ 806,753,197
Capital asset summary:				
Capital assets not being depreciated	\$ 41,510,149	\$ 5,110,738	\$ (6,428,051)	\$ 40,192,836
Other capital assets, at cost	1,327,964,869	34,454,756	(10,413,476)	1,352,006,149
Total cost of capital assets	1,369,475,018	39,565,494	(16,841,527)	1,392,198,985
Less accumulated depreciation	(504,489,809)	(49,457,534)	8,694,391	(545,252,952)
Capital assets, net	\$ 864,985,209	\$ (9,892,040)	\$ (8,147,136)	\$ 846,946,033
Component Units				
Total cost of capital assets	\$ 4,296,822	\$ 598,225	\$ (96,138)	\$ 4,798,909
Less accumulated depreciation	(495,639)	(115,491)	-	(611,130)
Capital assets, net	\$ 3,801,183	\$ 482,734	\$ (96,138)	\$ 4,187,779

7. Accrued Compensated Absences

Accrued compensated absences as of June 30, include:

	2011	2010
Accrued vacation	\$ 21,189,877	\$ 21,299,021
Accrued sick leave	6,458,643	6,066,195
Other accrued fringe benefits	6,466,105	6,700,122
	<u>34,114,625</u>	<u>34,065,338</u>
Less: current portion	2,148,016	1,961,364
Noncurrent portion	<u>\$ 31,966,609</u>	<u>\$ 32,103,974</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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

Balance as of June 30, 2009	\$ 31,961,929
Additions in 2010	3,017,805
Retirements in 2010	<u>(914,396)</u>
Balance as of June 30, 2010	34,065,338
Additions in 2011	2,480,438
Retirements in 2011	<u>(2,431,151)</u>
Balance as of June 30, 2011	<u>\$ 34,114,625</u>

These accruals represent estimated amounts earned by all eligible employees through June 30, 2011 and 2010. 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 May 2009, the State of Connecticut offered employees meeting certain criteria, a Retirement Incentive Plan (“RIP”). For those employees opting to accept the RIP, their accrued compensation for vacation and sick time in addition to incentive allocations were reclassified to a separate liability. Those amounts are to be paid out annually in equal installments over a three year period starting July 2012. The total amount of RIP liability was approximately \$6.2 million and \$6.3 million at June 30, 2011 and June 30, 2010, respectively. The liability at June 30, 2011 and June 30, 2010 was all noncurrent and was included in other 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 2009 portions of the September 1997 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 \$.2 million at June 30, 2009. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$30,000. 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 refunding,

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

CSUS will reduce its aggregate debt service payments by approximately \$30,000 and achieve an economic gain of approximately \$30,000.

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 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	2011	2010
March 1993	Original	\$ 465,000	\$ 930,000
October 1993	Refunded	1,484,496	1,484,496
June 2001	Refunded	2,067,353	2,484,083
November 2001	Refunded	1,242,049	1,651,779
August 2002	Refunded	776,355	776,355
December 2003	Refunded	-	1,507,762
April 2005	Refunded	422,547	422,547
December 2007	Refunded	3,437,163	4,594,451
		<u>\$ 9,894,963</u>	<u>\$ 13,851,473</u>

Estimated principal and interest requirements for the next six years are as follows:

Year	Principal	Interest
2012	3,605,892	505,298
2013	1,974,402	316,867
2014	1,572,030	201,202
2015	1,541,137	122,578
2016	778,954	42,329
2017	422,548	22,585
	<u>\$ 9,894,963</u>	<u>\$ 1,210,859</u>

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.

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.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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 four percent (4%) to five percent (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 17, 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 17, 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.

On June 22, 2011 CHEFA issued \$27.0 million of Series J Revenue Bonds on behalf of CSUS. The Bonds mature from 2012 to 2031 with interest rates varying from two (2.0%) to four percent (4.0%). 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 22, 2011, CHEFA issued \$14.0 million of Series K Revenue Bonds on behalf of CSUS, to advance refund portions of Series E. The Bonds mature from 2012 to 2016 with interest rates varying from three percent (3.0%) to four percent (4.0%). 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 2011 advance refunding of portions of Series E, 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 \$15.5 million at June 30, 2011. The outstanding

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

amount of the refunded bonds totaled approximately \$14.0 million at June 30, 2011. 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 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operation over the life of new bonds using the straight-line method. As a result of defeasance, CSUS will reduce its aggregate debt service payments by approximately \$1.0 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of approximately \$.9 million.

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 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 between the present value of the old and new debt service payments) of approximately \$2.4 million. The outstanding amount of these refunded bonds totaled approximately \$60.1 million at June 30, 2011.

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 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. The outstanding amount of these refunded bonds totaled approximately \$49.3 million at June 30, 2011.

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 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. The outstanding amount of these refunded bonds totaled approximately \$31.0 million at June 30, 2011.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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

	2011	2010
CHEFA Revenue Bonds Series B	\$ 1,860,000	\$ 1,860,000
CHEFA Revenue Bonds Series D	3,845,000	7,690,000
CHEFA Revenue Bonds Series E	53,250,000	71,450,000
CHEFA Revenue Bonds Series F	29,875,000	35,125,000
CHEFA Revenue Bonds Series G	33,925,000	35,565,000
CHEFA Revenue Bonds Series H	48,320,000	48,330,000
CHEFA Revenue Bonds Series I	62,515,000	62,600,000
CHEFA Revenue Bonds Series J	27,035,000	-
CHEFA Revenue Bonds Series K	14,010,000	-
	<u>\$ 274,635,000</u>	<u>\$ 262,620,000</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.

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
2012	14,405,000	11,251,652
2013	15,420,000	10,803,104
2014	15,605,000	10,145,084
2015	15,915,000	9,456,042
2016	16,165,000	8,733,985
2017-2021	67,580,000	34,055,708
2022-2026	56,550,000	20,139,050
2027-2031	43,880,000	10,042,056
2032-2036	29,115,000	1,610,794
	<u>\$ 274,635,000</u>	<u>\$ 116,237,475</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

Long-term liability activity for the years ended June 30, 2011 and 2010 was as follows:

	Year Ended June 30, 2011			Balance June 30, 2011
	Balance June 30, 2010	Additions	Retirements	
Bonds payable	\$ 276,471,473	\$ 41,045,000	\$ (32,986,510)	\$ 284,529,963
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	1,193,717	1,439,262	(247,405)	2,385,574
Total bonds payable	277,665,190	42,484,262	(33,233,915)	286,915,537
Capital lease obligations	18,637	87,169	(91,830)	13,976
Deferred compensation	398,427	820	(209,190)	190,057
Total	<u>\$ 278,082,254</u>	<u>\$ 42,572,251</u>	<u>\$ (33,534,935)</u>	<u>\$ 287,119,570</u>

	Year Ended June 30, 2010			Balance June 30, 2010
	Balance June 30, 2009	Additions	Retirements	
Bonds payable	\$ 295,396,875	\$ -	\$ (18,925,402)	\$ 276,471,473
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	1,514,349	-	(320,632)	1,193,717
Total bonds payable	296,911,224	-	(19,246,034)	277,665,190
Capital lease obligations	39,851	-	(21,214)	18,637
Deferred compensation	272,353	126,074	-	398,427
Total	<u>\$ 297,223,428</u>	<u>\$ 126,074</u>	<u>\$ (19,267,248)</u>	<u>\$ 278,082,254</u>

Notes Payable for the Component Units, consisted of two notes. There was an unsecured note with an original loan balance of \$119,000, bearing interest at 5.99% payable in monthly installments of \$518 including principal and interest with a maturity date of March 2015. Extra principal payments totaling \$45,000 were made in previous years and the \$10,058 loan balance at June 30, 2010 was paid in full during July 2010. The second note with a \$10,806 balance at June 30, 2010 bearing interest at 5.39% was payable in monthly installments of \$858, with a maturity date of August 2011. This note was paid in full during year end June 30, 2011.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

Notes payable activity for the years ended June 30, 2011 and 2010 was as follows:

	Year Ended June 30, 2011			
	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Notes payable	\$ 20,864	\$ -	\$ (20,864)	\$ -

	Year Ended June 30, 2010			
	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Notes payable	\$ 49,309	\$ -	\$ (28,445)	\$ 20,864

9. Deferred Revenue

Deferred revenue consists of the following at June 30, 2011 and 2010:

	2011	2010
Unearned tuition and fees	\$ 183,047,163	\$ 180,423,244
Grants and contracts	1,830,780	2,394,726
Other	180,450	429,462
	<u>\$ 185,058,393</u>	<u>\$ 183,247,432</u>

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, 2011, approximately thirty percent (30%) 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.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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 2011 is not available as of the issue date of CSUS's financial statements and, therefore, the following information is as of June 30, 2010.

The State's annual pension cost and net pension obligation for SERS as of June 30, 2009 are as follows (in thousands):

Annual required contribution	\$ 897,428
Interest on net pension obligation	213,181
Adjustment to annual required contribution	<u>(157,856)</u>
Annual pension cost	952,753
Contributions made	<u>720,527</u>
Increase in net pension obligation	232,226
Net pension obligation, beginning of year	<u>2,508,005</u>
Net pension obligation, end of year	<u><u>\$ 2,740,231</u></u>

Three year trend information (in thousands):

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
2008	\$ 776,227	91.7 %	\$ 2,396,999
2009	810,776	86.3 %	2,508,005
2010	952,753	75.6 %	2,740,231

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years
Asset valuation method	5 year smoothed market
Actuarial assumptions	
Investment rate of return	8.25%
Projected salary increases (includes inflation of 4%)	4.0% - 20.0%
Cost of living adjustments	2.7% - 3.6%

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
6/30/05	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	9,585.1	17,888.1	8,303.0	53.6%	3,310.4	250.8%
6/30/08	9,990.2	19,243.4	9,253.2	51.9%	3,497.4	264.6%
6/30/09 *	-	-	-	-	-	-
6/30/10	9,349.6	21,054.2	11,704.6	44.4%	3,295.7	355.1%

*An actuarial valuation was not performed for the fiscal year ended June 30, 2009.

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*

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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. 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/>.

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, 2011 and 2010. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net asset balances at June 30, 2011 and 2010 were as follows:

	2011	2010
System Office	\$ 435,117	\$ 1,060,800
Central Connecticut State University	7,101,053	5,302,504
Eastern Connecticut State University	3,137,337	3,701,610
Southern Connecticut State University	3,227,461	1,935,458
Western Connecticut State University	3,113,140	4,311,481
	<u>\$ 17,014,108</u>	<u>\$ 16,311,853</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.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

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:

	2011	2010
Cash balances held with the State of Connecticut on behalf of the universities (excluding STIF)	\$ 256,721,013	\$ 198,659,799
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	<u>34,152,109</u>	<u>75,171,311</u>
	<u>\$ 290,873,122</u>	<u>\$ 273,831,110</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2011 and 2010

13. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

	Year ended June 30, 2011								
	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	\$ 37,557,600	\$ 1,184,867	\$ 2,872,916	\$ 1,298,009	\$ 507,380	\$ 2,591,916			\$ 46,012,688
Auxiliary enterprises	13,532,695	11,170,753	21,782,389	52,166	10,579,675	1,846,552			58,964,230
Institution support	70,946,806	6,162,850	742,669	465,954	4,008,400	7,223,930			89,550,609
Instruction	194,377,856	1,392,630	1,227,936	565,310	486,021	2,458,275			200,508,028
Physical plant	34,264,212	2,062,410	25,716	26,772	33,026,670	2,148,294	51,374,570	95,017	123,023,661
Public service	6,272,664	1,351,846	691,951	1,044,196	645,340	642,363			10,648,360
Research	2,341,822	655,852	574,250	412,996	60,509	417,148			4,462,577
Scholarships, loans and refunds	884,376	161,435	60,306,526	8,901	1,974	96,762			61,459,974
Student services	49,249,450	1,821,472	1,229,076	1,841,867	1,152,739	3,115,721	983		58,411,308
Total expenses	\$ 409,427,481	\$ 25,964,115	\$ 89,453,429	\$ 5,716,171	\$ 50,468,708	\$ 20,540,961	\$ 51,375,553	\$ 95,017	\$ 653,041,435

	Year ended June 30, 2010								
	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	\$ 35,849,484	\$ 2,620,305	\$ 1,256,532	\$ 1,224,477	\$ 505,663	\$ 2,716,219	\$ -	\$ -	\$ 44,172,680
Auxiliary enterprises	12,375,520	11,195,113	21,449,776	26,566	9,897,529	3,300,816	-	-	58,245,320
Institution support	68,949,474	6,076,566	741,555	477,711	2,984,032	8,335,556	-	-	87,564,894
Instruction	181,449,488	1,314,764	1,202,208	514,530	392,758	2,206,355	-	-	187,080,103
Physical plant	32,532,612	1,752,869	22,593	18,013	33,454,240	195,944	49,456,550	380,984	117,813,805
Public service	5,905,515	1,439,590	766,198	1,097,364	477,734	690,769	-	-	10,377,170
Research	2,115,845	360,130	785,905	284,423	70,810	372,911	-	-	3,990,024
Scholarships, loans and refunds	689,782	167,588	55,897,418	8,833	432	155,870	-	-	56,919,923
Student services	47,548,272	1,783,421	1,271,221	1,643,008	904,598	3,260,181	984	-	56,411,685
Total expenses	\$ 387,415,992	\$ 26,710,346	\$ 83,393,406	\$ 5,294,925	\$ 48,687,796	\$ 21,234,621	\$ 49,457,534	\$ 380,984	\$ 622,575,604

Connecticut State University System
Supplemental Financial Information
June 30, 2011 and 2010

	Page
Combining Statements of Net Assets	S-2
Combining Statements of Revenues, Expenses and Changes in Net Assets	S-4
Combining Statements of Cash Flows	S-6

Connecticut State University System
Combining Statements of Net Assets
June 30, 2011 with Comparative Totals as of June 30, 2010

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2011	2010
Assets								
Current assets:								
Cash and cash equivalents	\$ 57,737,911	\$ 13,740,413	\$ 58,370,751	\$ 31,514,827	\$ 15,594,512	\$ -	\$ 176,958,414	\$ 170,121,297
Investments	-	-	-	-	38,382,287	-	38,382,287	13,705,194
Student receivables	50,788,864	38,098,193	51,967,229	31,980,021	-	-	172,834,307	170,894,634
Allowance-doubtful student receivables	(469,364)	(896,180)	(849,609)	(695,139)	-	-	(2,910,292)	(6,164,223)
Student receivables, net	50,319,500	37,202,013	51,117,620	31,284,882	-	-	169,924,015	164,730,411
Student loans receivable	679,755	91,715	562,664	232,703	-	-	1,566,837	1,520,338
Grant receivables, net	507,027	494,163	893,252	330,545	-	-	2,224,987	2,479,067
Miscellaneous receivables, net	704,574	661,191	121,967	56,108	2,574	-	1,546,414	1,798,303
Due from the State of Connecticut	13,261,889	8,224,800	13,581,295	8,324,976	997,935	-	44,390,895	43,693,555
Due from SO and Universities	-	-	-	-	313,774	(313,774)	-	-
Prepaid expenses and other current assets	1,024,943	242,563	403,242	631,864	1,159,749	-	3,462,361	3,155,990
Total current assets	124,235,599	60,656,858	125,050,791	72,375,905	56,450,831	(313,774)	438,456,210	401,204,155
Noncurrent assets:								
Cash and cash equivalents	24,848,353	2,798,091	20,707,173	6,910,179	60,963,474	-	116,227,270	105,351,844
Investments	-	-	-	-	26,566,294	-	26,566,294	25,760,370
Due from SO and Universities	3,274,720	-	-	-	-	(3,274,720)	-	-
Student loans receivable	4,019,815	1,673,507	4,968,190	2,005,834	-	-	12,667,346	12,425,458
Allowance-doubtful loan receivables	(739,613)	(390,415)	(1,245,053)	(428,189)	-	-	(2,803,270)	(2,727,528)
Loans receivable, net	3,280,202	1,283,092	3,723,137	1,577,645	-	-	9,864,076	9,697,930
Other assets	-	2,044	99,155	127,180	2,037,946	-	2,266,325	1,910,201
Investment in plant	359,580,231	361,165,673	396,571,963	288,996,621	26,419,600	8,160,239	1,440,894,327	1,392,198,985
Accumulated depreciation	(166,246,983)	(117,382,425)	(175,092,645)	(109,995,765)	(19,244,862)	-	(587,962,680)	(545,252,952)
Investment in plant, net of accumulated depreciation	193,333,248	243,783,248	221,479,318	179,000,856	7,174,738	8,160,239	852,931,647	846,946,033
Total noncurrent assets	224,736,523	247,866,475	246,008,783	187,615,860	96,742,452	4,885,519	1,007,855,612	989,666,378
Total assets	\$ 348,972,122	\$ 308,523,333	\$ 371,059,574	\$ 259,991,765	\$ 153,193,283	\$ 4,571,745	\$ 1,446,311,822	\$ 1,390,870,533

Connecticut State University System
Combining Statements of Net Assets
June 30, 2011 with Comparative Totals as of June 30, 2010

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2011	2010
Liabilities								
Current liabilities:								
Accounts payable	\$ 2,721,601	\$ 1,518,899	\$ 3,465,221	\$ 1,069,213	\$ 559,972	\$ -	\$ 9,334,906	\$ 9,993,219
Accrued salaries and benefits	17,393,259	8,049,920	17,364,591	8,048,069	644,337	-	51,500,176	49,300,230
Accrued compensated absences	504,332	480,832	536,289	416,838	209,725	-	2,148,016	1,961,364
Due to the State of Connecticut	444,664	1,148,281	397,558	1,268,489	2,090	-	3,261,082	16,217,871
Due to SO and Universities	72,571	47,550	146,976	46,677	-	(313,774)	-	-
Deferred revenue	57,422,264	35,314,812	58,459,127	33,753,528	108,662	-	185,058,393	183,247,432
Bonds payable	-	-	-	-	18,350,340	-	18,350,340	18,523,915
Accrued bond interest payable	-	-	-	-	1,899,900	-	1,899,900	1,916,610
Capital lease obligation	-	-	8,102	-	-	-	8,102	6,424
Other liabilities	1,186,801	51,476	1,933,595	342,224	183,666	-	3,697,762	3,284,688
Depository accounts	1,030,815	817,471	1,176,168	690,574	252	-	3,715,280	3,578,463
Total current liabilities	<u>80,776,307</u>	<u>47,429,241</u>	<u>83,487,627</u>	<u>45,635,612</u>	<u>21,958,944</u>	<u>(313,774)</u>	<u>278,973,957</u>	<u>288,030,216</u>
Noncurrent liabilities:								
Accrued compensated absences	10,142,113	5,387,252	9,552,961	5,489,377	1,394,906	-	31,966,609	32,103,974
Bonds payable	-	-	-	-	268,565,197	-	268,565,197	259,141,275
Due to SO and Universities	-	-	-	-	3,274,720	(3,274,720)	-	-
Federal loan program advances	3,136,752	1,459,188	3,549,051	1,632,106	-	-	9,777,097	9,777,097
Deferred compensation	-	-	-	-	190,057	-	190,057	398,427
Other liabilities	2,468,888	460,390	2,594,337	696,794	22,920	-	6,243,329	6,296,365
Capital lease obligation	-	-	5,874	-	-	-	5,874	12,213
Total noncurrent liabilities	<u>15,747,753</u>	<u>7,306,830</u>	<u>15,702,223</u>	<u>7,818,277</u>	<u>273,447,800</u>	<u>(3,274,720)</u>	<u>316,748,163</u>	<u>307,729,351</u>
Total liabilities	<u>96,524,060</u>	<u>54,736,071</u>	<u>99,189,850</u>	<u>53,453,889</u>	<u>295,406,744</u>	<u>(3,588,494)</u>	<u>595,722,120</u>	<u>595,759,567</u>
Net Assets								
Invested in capital assets, net of related debt	193,038,242	243,712,611	221,465,342	179,000,856	(158,566,666)	8,160,239	686,810,624	664,708,567
Restricted:								
Nonexpendable	-	60,000	93,293	407,116	-	-	560,409	874,612
Expendable	6,629,936	6,418,472	25,552,291	2,787,540	25,456	-	41,413,695	28,597,463
Unrestricted	<u>52,779,884</u>	<u>3,596,179</u>	<u>24,758,798</u>	<u>24,342,364</u>	<u>16,327,749</u>	<u>-</u>	<u>121,804,974</u>	<u>100,930,324</u>
Total net assets	<u>252,448,062</u>	<u>253,787,262</u>	<u>271,869,724</u>	<u>206,537,876</u>	<u>(142,213,461)</u>	<u>8,160,239</u>	<u>850,589,702</u>	<u>795,110,966</u>
Total liabilities and net assets	<u>\$ 348,972,122</u>	<u>\$ 308,523,333</u>	<u>\$ 371,059,574</u>	<u>\$ 259,991,765</u>	<u>\$ 153,193,283</u>	<u>\$ 4,571,745</u>	<u>\$ 1,446,311,822</u>	<u>\$ 1,390,870,533</u>

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011 with Comparative Balances for the Year Ended June 30, 2010

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2011	2010
Operating revenues:								
Tuition and fees:								
Tuition and fees, gross	\$ 94,679,724	\$ 42,693,165	\$ 97,161,972	\$ 50,311,914	\$ 6,209,151	\$ -	\$ 291,055,926	\$ 275,248,275
Less:								
Scholarships allowance	7,507,592	4,497,606	8,416,474	4,595,827	-	-	25,017,499	21,127,941
Waivers	3,831,532	2,607,155	3,143,888	1,463,732	-	-	11,046,307	10,420,594
Debt service fee	8,166,249	4,458,654	8,347,492	5,030,749	(25,609,208)	(393,936)	-	-
Tuition and fees, net of scholarship allowances and waivers	75,174,351	31,129,750	77,254,118	39,221,606	31,818,359	393,936	254,992,120	243,699,740
Federal grants and contracts	18,576,045	7,987,935	13,473,381	6,920,531	(166,955)	-	46,790,937	41,760,605
State and local grants and contracts	5,771,572	2,052,006	5,047,802	2,369,098	-	-	15,240,478	16,025,360
Nongovernment grants and contracts	832,610	374,158	1,703,563	-	7,500	-	2,917,831	2,707,514
Indirect cost recoveries	463,344	566,909	280,870	7,455	-	-	1,318,578	1,107,578
Auxiliary revenues	25,293,548	24,843,174	24,192,814	16,616,669	4,495,258	(4,342,580)	91,098,883	87,155,149
Other operating revenues	4,204,065	2,074,389	4,595,267	1,677,186	8,343,982	(5,256,143)	15,638,746	16,472,406
Total operating revenues	130,315,535	69,028,321	126,547,815	66,812,545	44,498,144	(9,204,787)	427,997,573	408,928,352
Operating expenses:								
Personnel service and fringe benefits	124,688,278	73,804,070	129,112,839	72,341,613	9,480,681	-	409,427,481	387,415,992
Professional services and fees	7,856,965	3,585,487	8,145,203	4,586,942	1,789,518	-	25,964,115	26,710,346
Educational services and support	30,625,593	13,564,825	29,653,846	15,599,765	9,400	-	89,453,429	83,393,406
Travel expenses	2,766,276	698,582	1,535,312	659,911	56,090	-	5,716,171	5,294,925
Operation of facilities	23,545,240	7,875,686	11,676,883	9,746,782	7,222,840	(9,598,723)	50,468,708	48,687,796
Other operating supplies and expenses	4,841,329	3,477,717	5,210,649	4,028,572	2,588,758	393,936	20,540,961	21,234,621
Depreciation expense	13,409,888	12,023,520	13,763,624	10,545,209	1,633,312	-	51,375,553	49,457,534
Amortization expense	-	4,071	51,475	39,471	-	-	95,017	380,984
Total operating expenses	207,733,569	115,033,958	199,149,831	117,548,265	22,780,599	(9,204,787)	653,041,435	622,575,604
Operating income (loss)	\$ (77,418,034)	\$ (46,005,637)	\$ (72,602,016)	\$ (50,735,720)	\$ 21,717,545	\$ -	\$ (225,043,862)	\$ (213,647,252)

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011 with Comparative Balances for the Year Ended June 30, 2010

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2011	2010
Nonoperating revenues (expenses)								
State appropriations	\$ 74,005,435	\$ 43,846,594	\$ 72,489,017	\$ 45,846,377	\$ 8,870,083	\$ -	\$ 245,057,506	\$ 242,054,721
Gifts	902,976	117,124	297,896	181,849	-	-	1,499,845	985,046
Investment income	197,395	49,165	174,622	85,921	788,232	-	1,295,335	1,562,426
Interest Expense	(13)	-	-	-	(11,850,820)	379,516	(11,471,317)	(11,876,199)
State financed plant facilities	239,018	17,023,830	-	-	-	-	17,262,848	4,990,231
Other nonoperating revenues	384,742	309,890	883,337	669,758	-	-	2,247,727	2,557,740
Transfers to the State of Connecticut	-	-	-	-	-	-	-	(15,000,000)
Net nonoperating revenues (expenses)	<u>75,729,553</u>	<u>61,346,603</u>	<u>73,844,872</u>	<u>46,783,905</u>	<u>(2,192,505)</u>	<u>379,516</u>	<u>255,891,944</u>	<u>225,273,965</u>
Income before other changes in net assets	(1,688,481)	15,340,966	1,242,856	(3,951,815)	19,525,040	379,516	30,848,082	11,626,713
Other changes in net assets								
State appropriations restricted for capital purposes	5,293,030	4,798,324	8,555,345	6,451,140	319,259	-	25,417,098	12,752,718
Gain (loss) on disposal of capital assets	(236,743)	(381,175)	(130,607)	(35,494)	(2,425)	-	(786,444)	(1,631,202)
Net other changes in net assets	<u>5,056,287</u>	<u>4,417,149</u>	<u>8,424,738</u>	<u>6,415,646</u>	<u>316,834</u>	<u>-</u>	<u>24,630,654</u>	<u>11,121,516</u>
Net increase in net assets	3,367,806	19,758,115	9,667,594	2,463,831	19,841,874	379,516	55,478,736	22,748,229
Net assets:								
Net assets - beginning of year	<u>249,080,256</u>	<u>234,029,147</u>	<u>262,202,130</u>	<u>204,074,045</u>	<u>(162,055,335)</u>	<u>7,780,723</u>	<u>795,110,966</u>	<u>772,362,737</u>
Net assets - end of year	<u>\$ 252,448,062</u>	<u>\$ 253,787,262</u>	<u>\$ 271,869,724</u>	<u>\$ 206,537,876</u>	<u>\$ (142,213,461)</u>	<u>\$ 8,160,239</u>	<u>\$ 850,589,702</u>	<u>\$ 795,110,966</u>

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2011 with Comparative Totals as of June 30, 2010

	CCSU	ECSU	SCSU	WCUSU	SO	Combining Adjustments	2011	2010
Cash flows from operating activities:								
Tuition and fees	\$ 73,659,515	\$ 30,806,711	\$ 76,356,557	\$ 39,366,788	\$ 6,209,151	\$ 393,936	\$ 226,792,658	\$ 233,609,832
Grants and contracts	25,327,855	10,496,841	20,137,188	9,185,229	(159,455)	-	64,987,658	60,242,797
Auxiliary revenues	24,720,956	24,659,455	23,688,213	15,897,846	4,495,258	(4,342,580)	89,119,148	74,578,554
Other operating revenues	5,442,369	2,503,534	5,219,068	2,443,939	7,983,890	(5,256,143)	18,336,657	19,389,456
Payments to employees for salaries and benefits	(123,690,773)	(73,933,523)	(127,413,287)	(71,777,382)	(10,271,556)	-	(407,086,521)	(386,414,014)
Payments to suppliers	(1,695,833)	(1,307,824)	(1,495,032)	(2,230,071)	(76,587)	-	(6,805,347)	(7,467,078)
Professional services and fees	(7,663,269)	(3,657,550)	(8,188,781)	(4,626,830)	(1,789,518)	-	(25,925,948)	(26,593,494)
Educational services and support	(30,573,808)	(13,564,825)	(29,653,845)	(15,599,765)	(9,400)	-	(89,401,643)	(83,577,133)
Travel expenses	(2,771,861)	(698,582)	(1,535,312)	(659,911)	(56,090)	-	(5,721,756)	(5,275,391)
Operation of facilities	(22,993,209)	(7,875,686)	(11,676,882)	(9,746,782)	(6,041,195)	9,598,723	(48,735,031)	(50,660,354)
Other operating supplies and expenses	(3,106,988)	(2,270,059)	(3,904,767)	(2,694,155)	(2,174,021)	(393,936)	(14,543,926)	(13,923,697)
University fee receipts	-	-	-	-	25,609,208	-	25,609,208	24,696,177
Net cash provided by (used in) operating activities	(63,345,046)	(34,841,508)	(58,466,880)	(40,441,094)	23,719,685	-	(173,374,843)	(161,394,345)
Cash flows from noncapital financing activities:								
State appropriations	74,062,640	44,742,832	72,334,251	45,608,802	9,037,437	-	245,785,962	243,013,691
Gifts for other than capital purposes	902,977	117,124	297,896	181,849	-	-	1,499,846	985,048
Nonoperating revenue other	384,162	309,890	883,337	669,758	-	-	2,247,147	2,601,387
Nonoperating revenue other - transfer to state	(3,821,442)	(1,996,836)	(3,812,567)	(2,462,936)	(1,235,807)	-	(13,329,588)	(2,000,000)
Net cash provided by noncapital financing activities	\$ 71,528,337	\$ 43,173,010	\$ 69,702,917	\$ 43,997,473	\$ 7,801,630	\$ -	\$ 236,203,367	\$ 244,600,126

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2011 with Comparative Totals as of June 30, 2010

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2011	2010
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	-	-	-	-	\$5,256,143	-	\$ 5,256,143	\$2,409,282
Purchases of investments	-	-	-	-	(30,739,160)	-	(30,739,160)	(1,694,008)
Interest and dividends received on investments	211,948	49,165	180,014	85,921	788,232	-	1,315,280	1,667,126
Net cash provided by (used in) investing activities	211,948	49,165	180,014	85,921	(24,694,785)	-	(24,167,737)	2,382,400
Cash flows from capital and related financing activities:								
Cash paid for capital assets	(11,138,179)	(24,654,736)	(12,152,052)	(7,916,717)	(1,579,284)	-	(57,440,968)	(31,435,092)
State capital appropriations received	3,612,797	21,822,154	7,375,679	6,922,322	1,262,221	-	40,995,173	19,739,167
Proceeds of new bond issuance	-	-	-	-	41,045,000	-	41,045,000	-
Repayments of capital debt and leases	-	-	-	-	(32,986,510)	-	(32,986,510)	(18,976,344)
Interest paid on capital debt and leases	-	-	-	-	(11,850,820)	-	(11,850,820)	(12,226,754)
Payments on bond issuance costs	-	-	-	-	(735,039)	-	(735,039)	-
Proceeds from sale of property and equipment	6,375	3,500	-	2,100	12,945	-	24,920	6,650
Net cash used in capital and related financing activities	(7,519,007)	(2,829,082)	(4,776,373)	(992,295)	(4,831,487)	-	(20,948,244)	(42,892,373)
Net increase in cash and cash equivalents	876,232	5,551,585	6,639,678	2,650,005	1,995,043	-	17,712,543	42,695,808
Cash and cash equivalents, beginning of year	81,710,032	10,986,919	72,438,246	35,775,001	74,562,943	-	275,473,141	232,777,333
Cash and cash equivalents, end of year	\$ 82,586,264	\$ 16,538,504	\$ 79,077,924	\$ 38,425,006	\$ 76,557,986	\$ -	\$ 293,185,684	\$ 275,473,141

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2011 with Comparative Totals as of June 30, 2010

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2011	2010
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (77,418,034)	\$ (46,005,637)	\$ (72,602,016)	\$ (50,735,720)	\$ 21,717,545	\$ -	\$ (225,043,862)	\$ (213,647,252)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	13,409,888	12,023,520	13,763,624	10,545,209	1,633,312	-	51,375,553	49,457,534
Bad debt write-offs (recoveries)	21,211	-	-	-	-	-	21,211	(140,540)
Amortization	-	4,071	51,475	39,471	-	-	95,017	380,984
Changes in assets and liabilities:								
Receivables	(1,926,211)	(235,515)	(2,443,362)	(492,404)	175,999	-	(4,921,493)	(9,575,086)
Prepaid expenses and other	602,357	(68,634)	125,729	(392,872)	(210,288)	-	56,292	(728,754)
Accounts payable	130,967	(88,329)	(478,292)	(335,697)	162,152	-	(609,199)	(493,858)
Accrued salaries	509,930	373,993	1,209,248	282,116	(175,340)	-	2,199,947	(1,278,194)
Other liabilities	153,869	(15,908)	163,414	(153,124)	1,158,652	-	1,306,903	(683,561)
Due to/from State of Connecticut	55,909	(56,062)	56,069	314,793	2,090	-	372,799	(16,625)
Due to/from Universities	(101,475)	(65,183)	(43,578)	(39,888)	250,124	-	-	-
Deferred revenues	745,461	(356,451)	1,244,609	537,435	(360,092)	-	1,810,962	13,382,023
Deferred compensation	-	-	-	-	(208,370)	-	(208,370)	126,073
Deposit accounts	39,417	23,305	51,964	22,265	(134)	-	136,817	(167,838)
Accrued bond interest payable	-	-	-	-	(16,710)	-	(16,710)	(112,659)
Accrued compensated absences	431,665	(374,678)	434,236	(32,678)	(409,255)	-	49,290	2,103,408
Net cash provided by (used in) operating activities	<u>\$ (63,345,046)</u>	<u>\$ (34,841,508)</u>	<u>\$ (58,466,880)</u>	<u>\$ (40,441,094)</u>	<u>\$ 23,719,685</u>	<u>\$ -</u>	<u>\$ (173,374,843)</u>	<u>\$ (161,394,345)</u>
Noncash investing, noncapital financing and capital and related financing transactions:								
Fixed assets acquired by incurring capital leases	\$ -	\$ -	\$ 87,169	\$ -	\$ -	\$ -	\$ 87,169	\$ -
Fixed assets included in accounts payable	\$ 569,592	\$ 427,594	\$ 1,180,419	\$ 100,672	\$ 26,995	\$ -	\$ 2,305,272	\$ 2,339,016
State financed plant facilities	\$ 239,018	\$ 17,023,830	\$ -	\$ -	\$ -	\$ -	\$ 17,262,848	\$ 4,990,231
Reconciliation of cash and cash equivalents to the combined statements of net assets:								
Cash and cash equivalents classified as current assets	\$ 57,737,911	\$ 13,740,413	\$ 58,370,751	\$ 31,514,827	\$ 15,594,512	\$ -	\$ 176,958,414	\$ 170,121,297
Cash and cash equivalents classified as noncurrent assets	<u>24,848,353</u>	<u>2,798,091</u>	<u>20,707,173</u>	<u>6,910,179</u>	<u>60,963,474</u>	<u>-</u>	<u>116,227,270</u>	<u>105,351,844</u>
	<u>\$ 82,586,264</u>	<u>\$ 16,538,504</u>	<u>\$ 79,077,924</u>	<u>\$ 38,425,006</u>	<u>\$ 76,557,986</u>	<u>\$ -</u>	<u>\$ 293,185,684</u>	<u>\$ 275,473,141</u>