

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)**

Financial Statements

**June 30, 2012 with Summarized Financial Information for the Year
Ended June 30, 2011**

Connecticut State University System
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June 30, 2012 and 2011

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Report of Independent Auditors

Report of Independent Auditors

To the Board of Regents of
Connecticut State University System

In our opinion, based on our audits and the report of other auditors, the financial statements listed in the accompanying index, present fairly, in all material respects, the respective financial position of the 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, 2012 and 2011, and the respective revenues, expenses and changes in net assets and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These 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 assets of \$90.5 million and \$85.1 million and total net assets of \$89.6 million and \$84.1 million as of June 30, 2012 and 2011, respectively, and total revenues, gains and other support of \$13.0 million and \$23.7 million for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based on the report 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 other auditors provide a reasonable basis for our opinions.

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



Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise CSUS's basic financial statements. The supplementary information listed in the accompanying index on pages S-1 to S-8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the supplementary information, based on our audit, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 10, 2012

Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2012 and 2011

Fiscal Year 2012

Members of the Board of Regents for Higher Education

- *Thirteen appointed by the governor and legislative leaders*
 - *Two students chosen by their peers*
- *Four non-voting ex-officio members – CT commissioners appointed by the Governor*

Lewis J. Robinson, Jr., Chair

Yvette Meléndez, Vice Chair

Richard J. Balducci

Naomi K. Cohen

Lawrence DeNardis

Nicholas M. Donofrio

Matt Fleury

Michael Fraser (CSU student)

Merle W. Harris

Gary F. Holloway

Craig Lappen

René Lerer

Michael E. Pollard

Alex Tettey Jr. (CCC Student)

Zac Zeitlin

Jewel Mullen – Commissioner of the CT Department of Public Health

Stefan Pryor - Commissioner of the State Board of Education

Sharon Palmer – Commissioner of the CT Department of Labor

Catherine Smith – Commissioner of the CT Department of Economic and Community
Development

Connecticut State Universities

Central Connecticut State University
1615 Stanley Street
New Britain, CT 06050
Dr. John W. Miller, President

Eastern Connecticut State University
83 Windham Street
Willimantic, CT 06226
Dr. Elsa Nunez, President

Southern Connecticut State University
501 Crescent Street
New Haven, CT 06515
Dr. Mary Papazian, President

Western Connecticut State University
181 White Street
Danbury, CT 06810
Dr. James Schmotter, President

System Office, Connecticut State Colleges & Universities
39 Woodland Street
Hartford, CT 06105
Dr. Philip Austin, Interim President

Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2012 and 2011

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, 2012 with comparative information for the fiscal years ended June 30, 2011 and 2010. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section. The discussion immediately following also reflects the System as it existed during fiscal year 2012.

State of Connecticut Public Act 11-48 created a new governance structure, effective July 1, 2011, to manage the operations of the state universities. The new organization replaced the former Board of Governors for Higher Education and three separate constituent unit boards effective January 1, 2012, with responsibility for a merged four-year state university, community college and on-line (Charter Oak) college system (excluding the University of Connecticut). During a six-month transition period from July 1 through December 31, 2011, the existing boards remained in place but all actions taken were subject to ratification by the new Board of Regents, which held its first meeting in October 2011.

CSUS is the largest comprehensive public institution of higher learning in the State of Connecticut with approximately more than 36,000 enrolled students. 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. In total, CSUS employed more than 3,100 full time employees at June 30, 2012.

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.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2012 and 2011**

Financial Highlights

At June 30, 2012, total assets of the System were \$1,461.9 million, an increase of \$15.6 million or 1.1% over the prior year amount of \$1,446.3 million, primarily due to increases in cash and cash equivalents of \$9.0 million, net student receivables of \$3.9 million, and net investment in plant of \$23.9 million, offset by decreases in investments of \$10.3 million and Due from the State Of Connecticut of \$11.6 million. At June 30, 2011, total assets of the System were \$1,446.3 million, an increase of \$55.4 million or 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.

Total liabilities at June 30, 2012, of \$572.8 million, a decrease of \$22.9 million, primarily due to a decrease in Bonds Payable of \$20.2 million. Total liabilities at June 30, 2011, of \$595.7 million were roughly equivalent to the prior year's level of \$595.8 million.

At June 30, 2012, total net assets, which represent the residual interest in the System's assets after liabilities are deducted, were \$889.1 million, an increase of \$38.5 million or 4.5% over last fiscal year's net assets of \$850.6 million. In fiscal year 2012, the System had a decrease in the amount of change in net assets of \$17.0 million compared to fiscal year 2011. This decrease was primarily due to a net decrease in state appropriations of \$12.0 million, as well as \$14.4 million decrease in state financed Plant Facilities.

At June 30, 2011, total net assets 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.

Statement of Net Assets

SUMMARY OF NET ASSETS					
June 30, 2012, 2011 and 2010					
(\$ In millions)					
				\$	%
	2012	2011	2010	Increase (Decrease) 11-12	Increase (Decrease) 11-12
Current Assets	\$424.2	\$438.5	\$401.2	(\$14.3)	(3.3)
Non-Current Assets:					
Capital Assets, net	876.8	852.9	846.9	23.9	2.8
Other	160.9	154.9	142.8	6.0	3.9
Total Assets	1461.9	1446.3	1390.9	15.6	1.1

Connecticut State University System
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Current Liabilities	273.6	279.0	288.0	(5.4)	(1.9)
Non-current liabilities	299.2	316.7	307.8	(17.5)	(5.5)
Total Liabilities	572.8	595.7	595.8	(22.9)	(3.8)
Net Assets					
Investment in Plant – Net of Related Debt	712.2	686.8	664.7	25.4	3.7
Restricted					
Nonexpendable	.4	.6	.9	(.2)	(33.3)
Expendable	50.4	41.4	28.6	9.0	21.7
Total Restricted	50.8	42.0	29.5	8.8	21.0
Unrestricted	126.1	121.8	100.9	4.3	3.5
Total Net Assets	\$889.1	\$850.6	\$795.1	\$ 38.5	4.5

Current assets at June 30, 2012 of \$424.2 million decreased by \$14.3 million or 3.3% primarily due to decrease in investments of \$10.3 million and Due from the State of Connecticut of \$11.6 million. Total current assets represent coverage of current operating expenses excluding depreciation and amortization of approximately eight months. The System's current ratio of 1.6:1 at the end of the fiscal year is the same as the prior fiscal year.

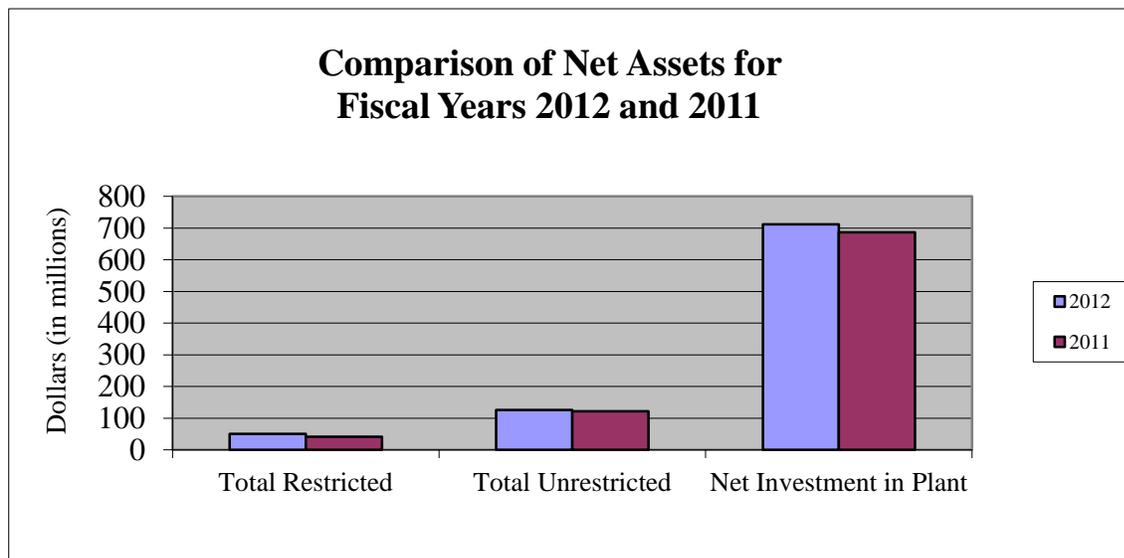
Current assets at June 30, 2011 of \$438.5 million increased by \$37.3 million or 9.3% primarily due to increases in cash and cash equivalents of \$6.8 million, investments of \$24.7 million and net student receivables of \$5.2 million. Total current assets represented coverage of current operating expenses 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 slightly better than the previous fiscal year.

Total non-current assets at June 30, 2012, of \$1,037.7 million increased by \$29.9 million or 3.0% from the fiscal year 2011 level of \$1,007.8 million primarily due to increases in net investment in plant of \$23.9 million and cash and equivalents of \$6.3 million. 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 increase in net investment in plant of \$6.0 million and cash and cash equivalents of \$10.9 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.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
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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.



NET INVESTMENT IN PLANT June 30, 2012, 2011 and 2010 (\$ In millions)					
	2012	2011	2010	\$	%
				Increase (Decrease) 11-12	Increase (Decrease) 11-12
Land	\$19.8	\$19.8	\$18.4	-	-
Buildings & Improvements	1133.6	1,114.5	1,085.1	19.1	1.7
Land Improvements	90.1	84.4	81.4	5.7	6.8
Furniture, Fixtures & Equipment	137.2	137.0	134.2	.2	.1
Library books and materials	64.4	62.2	58.8	2.2	3.5
Construction in progress	57.7	23.0	14.3	34.7	150.9
Total Investment in Plant	1,502.8	1,440.9	1,392.2	61.9	4.3
Less Accumulated Depreciation	626.0	588.0	545.3	38.0	6.5
Investment in Plant, Net of Depreciation	\$876.8	\$852.9	\$846.9	\$23.9	2.8

At fiscal year end June 30, 2012, the System had total investment in plant assets of \$1,502.8 million, an increase of \$61.9 million or 4.3% over the fiscal year end 2011 level of \$1,440.9 million. This increase was primarily due to the increase in construction in progress for more CSUS 2020 projects that are at

Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2012 and 2011

various stages of completion. Total additions to depreciable capital assets of \$42.0 million during the fiscal year reflect the System's continued commitment to provide its students with state-of-art buildings and equipment, as more CSUS 2020 projects are started and/or completed.

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 in various stages of completion. Total additions to depreciable capital assets of \$47.7 million during the fiscal year reflects the System's continued commitment to provide its students with state-of-art buildings and equipment.

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 2012 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 and received an additional \$95 million in 2012 for FY 2011.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the sixteenth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Funds available from seven Connecticut Health and Educational Facilities Authority ("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, \$14.0 million was issued in June 2011 and \$49 million was issued in March 2012 to refund selected maturities from prior CHEFA bond issues. The Board of Regents has decided to suspend further action on the long range auxiliary service capital plan pending completion of the new system strategic plan, a comprehensive review of all capital facilities needs and a reevaluation of enrollment trends. The board has approved 13 projects at a total estimated cost of \$118.5 million to move forward for financing under CHEFA this year.

Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2012 and 2011

Non-current liabilities at June 30, 2012 of \$299.2 million decreased by \$17.5 million, mainly due to the decrease in Bonds Payable of \$17.7 million for the current year's payment of principal.

Statement of Revenues, Expenses and Changes in Net Assets

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
June 30, 2012, 2011 and 2010					
(\$ In millions)					
	2012	2011	2010	\$	%
				Increase (Decrease) 11-12	Increase (Decrease) 11-12
Operating Revenues					
Tuition and fees	\$254.8	\$255.0	\$243.7	(\$.2)	(.1)
Auxiliary revenues	90.6	91.1	87.1	(.5)	(.5)
Grants & Indirect Cost Recoveries	63.0	66.3	61.6	(3.3)	(5.0)
Other	17.1	15.6	16.5	1.5	9.6
Total Operating Revenues	425.5	428.0	408.9	(2.5)	(.6)
Less: Operating Expenses before depreciation and amortization	589.9	601.5	572.7	(11.6)	(1.9)
Depreciation	51.7	51.4	49.4	.3	.6
Amortization	.1	.1	.4	-	-
Operating Loss	(216.2)	(225.0)	(213.6)	(8.8)	(3.9)
Non-Operating Revenues (Expenses)					
State Appropriations	258.5	270.5	254.8	(12.0)	(4.4)
Investment Income	1.1	1.3	1.5	(.2)	(15.4)
Other	(4.9)	8.7	(20.0)	(13.6)	(156.3)
Total Non-Operating Revenues (Expenses)	254.7	280.5	236.3	(25.8)	(9.2)
Increase in Net Assets	38.5	55.5	22.7	(17.0)	(30.6)
Net Assets, beginning of year	850.6	795.1	772.4	55.5	7.0
Net Assets, end of year	\$889.1	\$850.6	\$795.1	38.5	4.5

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 \$680.2 million for the fiscal year decreased by \$28.3 million or 4.0% compared to the fiscal year 2011 level of \$708.5 million. The decrease in total net revenues was primarily due to a decrease in state appropriations of \$12.0 million and State financed plant facilities of \$14.4 million,

**Connecticut State University System
Management’s Discussion and Analysis (Unaudited)
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offset by an increase in other operating revenues of \$1.5 million. Operating revenues of \$425.5 million at June 30, 2012 decreased by \$2.5 million or .6% from the previous year value of \$428.0 million, primarily due to decreases in auxiliary revenues of \$.5 million and grants and indirect cost recoveries of \$3.3 million. Tuition and fees remained about level with the prior year due to an average 2.5% increase in tuition and required fees, which was offset by a decrease in enrollment for FY12.

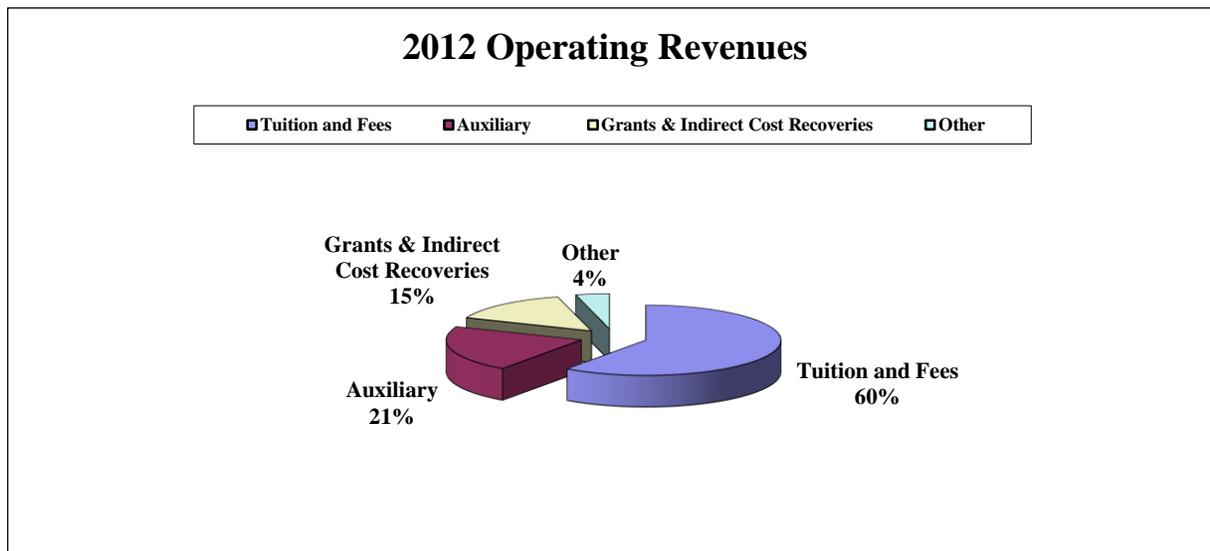
In fiscal year 2011, total net revenues of \$708.5 million increased by \$63.3 million or 9.8% compared to the revised fiscal year 2010 level of \$645.2 million. The increase in total net revenues was primarily due to an increase in state appropriations of \$15.7 million, State financed plant facilities 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, 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 2012, state appropriations of \$258.5 million, representing 37.2% of the System’s total net revenues, were \$12.0 million or 4.4% below fiscal year 2011. State appropriations are received for both operating and capital purposes. In the current year the System was allotted \$209.2 million for operating purposes and \$49.3 million for capital purposes. These allotments were 14.6% below and 94.1% 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 51% of the System’s full time salary and fringe benefit costs are funded from State appropriations. The receipt of title to plant facilities of \$2.9 million during the fiscal year decreased by \$14.4 million or 83.2% from the prior year’s level of \$17.3 million.

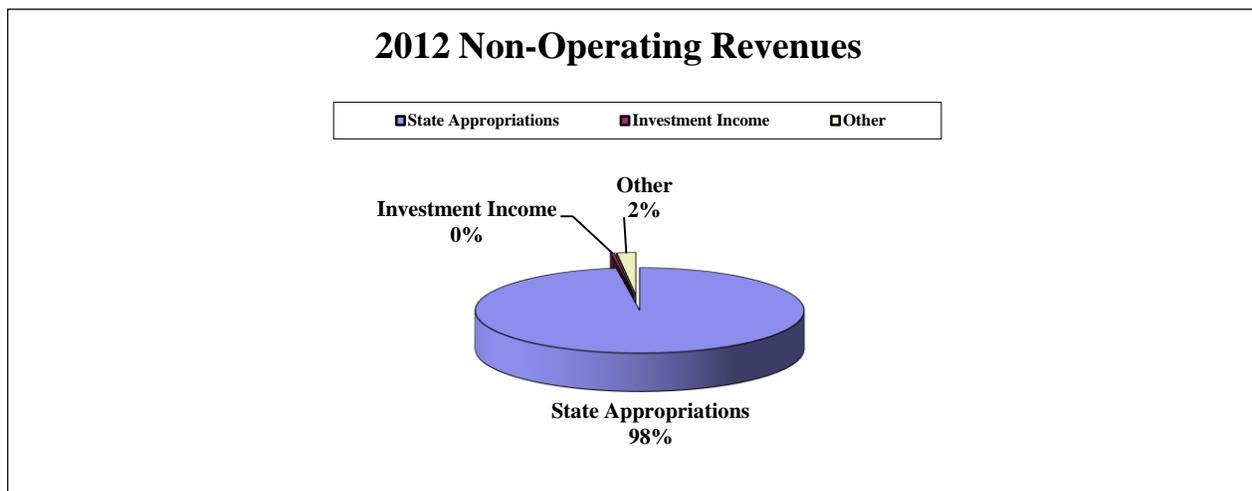
Investment income of \$1.1 million decreased by \$.2 million or 18.2% below fiscal year 2011. This decrease in investment income was due to a continuing decrease in interest rates during fiscal year 2012.

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

Revenue by Source



**Connecticut State University System
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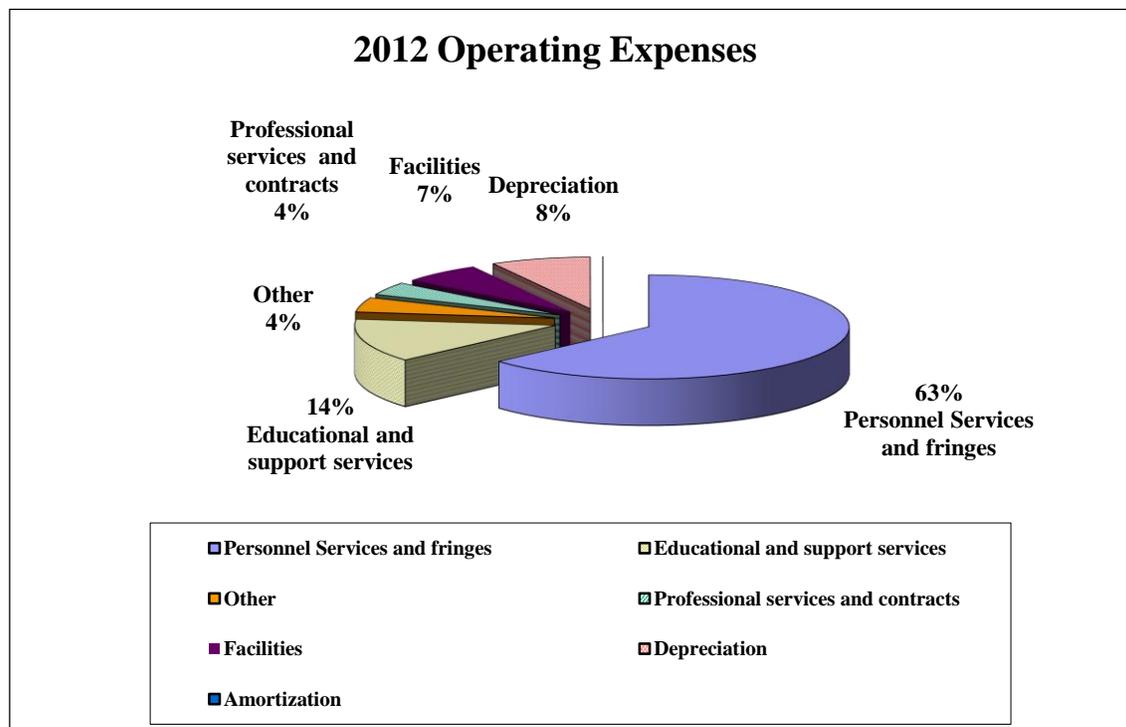
OPERATING EXPENSES					
June 30, 2012, 2011 and 2010					
(\$ In millions)					
	2012	2011	2010	\$	%
				Increase (Decrease) 11-12	Increase (Decrease) 11-12
Operating Expenses					
Personnel service and fringes	\$406.9	\$409.4	\$387.4	(\$2.5)	(.6)
Professional services and contracts	25.9	26.0	26.7	(.1)	(.4)
Educational and support services	86.6	89.4	83.4	(2.8)	(3.1)
Facilities	41.3	50.5	48.7	(9.2)	(18.2)
Other	29.2	26.2	26.5	3.0	11.5
Depreciation	51.7	51.4	49.5	.3	.6
Amortization	.1	.1	.4	-	-
Total Operating Expenses	\$641.7	\$653.0	\$622.6	\$(11.3)	(1.7)

In fiscal year ended June 30, 2012, total operating expenses less depreciation and amortization of \$603.8 million increased by \$2.3 million or 0.4% from the prior fiscal year. The increase was primarily due to an increase in operation of facilities of \$5.2 million.

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.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
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Note 13 to the financial statements details operating expenses by function. The pie chart below illustrates operating expenses by natural classification.



Statement of Cash Flows

STATEMENT OF CASH FLOWS					
June 30, 2012, 2011 and 2010					
(\$ In millions)					
	2012	2011	2010	\$	%
				Increase (Decrease) 11-12	Increase (Decrease) 11-12
Cash provided (used) by					
Operating Activities	\$(173.5)	\$(173.4)	\$(161.4)	(.1)	(.1)
Non-Capital Financing Activities	224.2	236.2	244.6	(12.0)	(5.1)
Capital & Related Financing Activities	(53.7)	(20.9)	(42.9)	(32.8)	(156.9)
Investing Activities	12.0	(24.2)	2.4	36.2	149.6
Net Increase (Decrease) in Cash	9.0	17.7	42.7	(8.7)	(49.2)
Cash, beginning of year	293.2	275.5	232.8	17.7	6.4
Cash, end of year	\$302.2	\$293.2	\$275.5	9.0	3.1

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
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The System's change in its net decrease in cash and cash equivalents at June 30, 2012 of \$(8.7) million or 49.2% is primarily due to a decrease in state appropriations receipts of \$13.9 million, and decreases in cash due to the purchase of capital assets of \$15.9 million and the repayment of debt service of \$36.5 million, offset by an increase in tuition and fees revenues of \$4.0 million and a reduction in transfer to state of \$13.3 million and investments activities of \$35.6 million.

Enrollment

The following table indicates historical enrollment of undergraduate and graduate students for the 2007-2008 through 2011-2012 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
2012	29,308	(2.7%)	5,516	(15.2%)	34,824	(4.9%)	28,494	(0.5%)
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%

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 2008 through 2012.

Fall Semester First-Time Full-Time Student Admissions					
Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2012	18,968	66.7%	12,647	35.5%	4,496
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

Economic Outlook

The Connecticut State Universities will confront significant challenges and opportunities in the years ahead. The factors that will have the greatest financial impact on the state universities are flattening and

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declining enrollment and the current fiscal condition of the state of Connecticut, which continues to lag behind the nation in its recovery from the recent recession.

Enrollments for the fall 2012 are down after years of continued growth. Headcount enrollment declined by 2.3%, from 29,224 students to 28,544 students as compared to fall 2011. Full time undergraduate enrollment dropped by 2.6% from fall 2011, and full time graduate enrollment declined by more than 6.3%. Southern CSU and Western CSU experienced sharper declines in overall enrollment. The drop in enrollment may be an early sign of a projected reduction in the numbers of Connecticut high school graduates, a primary source of enrollment for all of the state universities. In the absence of efforts to increase student demand from other sources, the state universities will see a decline in enrollment in the short term, if projections of high school graduations are realized.

The impact of these reduced enrollments is a projected reduction in tuition and fee revenues for the current fiscal year. Despite an overall increase in tuition and fee rates for FY 2013 of 3.9%, tuition and fee revenues are projected to increase only slightly in FY 2013- less than 1% - over FY 2012. Operating revenues are expected to increase by only 1.4% in FY 2013.

The state of Connecticut continues to face fiscal issues, with state tax revenues continuing to be lower than projections. State appropriations accounted for 36% of the total revenues of the System in 2012, down from 38% in FY 2011. The System received \$216.8 million, on a cash basis, in State appropriations for operating activities in fiscal year 2012. State appropriations for fiscal year 2013 were originally budgeted to be up 1% from FY 2012 to \$219.9 million. However, in November 2013 the appropriations for operating expenses were reduced 5% to \$209.0 million. With the state's tax revenues falling below projections in FY 2013, further reductions in funding, ranging from 2-5%, may be needed to close the state's budget gap. It is highly unlikely that the state universities will see state support rebound to pre-2008 levels in the near term.

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 received the \$95 million expected for FY 2012. The system fully expects to receive the entire \$950 million in program funding over the course of the next eight years.

In addition, the Board received approval to refinance debt under the Connecticut Health and Educational Facilities Authority (CHEFA) in the amount of \$49 million. This helped lower current payments under the program and yielded a net present value return to the system of more than \$3 million over the life of existing bonds. The Board also approved a plan to finance 13 new projects under CHEFA at a total estimated project cost of \$130 million. Most of these projects will be funded with university fee revenue balances and future revenues that remain strong, despite recent enrollment decline. Central Connecticut State University will help finance with housing revenues a new residence hall that is expected to increase overall enrollment and provide an opportunity for that institution to upgrade its residence hall facilities over the next several years.

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During fiscal year 2012, at Central Connecticut State University construction was completed on a new copper roof installation at a classroom building, fire code improvements to an administration building, Phase I window replacement to another administration building, a new locker facility and bleachers at the intercollegiate soccer field, an engineering laboratory facility, and a salt shed/maintenance facility. Construction on a new police station commenced while construction of a new academic/classroom building remains in process. In addition, design of a new residence life facility commenced. Projects completed at Eastern Connecticut State University included structural repairs to the boiler plant foundation walls, exterior structural repairs to a residence facility and a new intercollegiate softball field. Designs of a new warehouse, Phase II interior renovations to an administration building, and construction of a new athletic locker facility were completed. The design of a new fine arts facility remains in process. Construction projects completed at Southern Connecticut State University included renovation and conversion of a building into the School of Business, two roof replacements, renovations and upgrades to one residential life facility, athletic field turf replacement, and renovations to the field house locker rooms. Construction of a new 1,200 vehicle parking garage and designs for a new science building and renovations to the university library remained ongoing. Projects completed at Western Connecticut State University included HVAC improvements to a classroom building, IT network upgrades between the West Side and Main Campus, central boiler plant improvements, renovation of a former lecture hall into a classroom, Phases I & II comprehensive exterior renovations to a classroom building, and interior improvements in a residence facility. Construction of a new fine and performing arts facility commenced.

Since its official formation in January, 2012, the Board of Regents has initiated a number of actions to address some of these issues facing the state universities. The establishment of a new policy on transfer articulation between the community colleges and the state universities will assist students enrolling in the community colleges who aspire to complete a four-year degree within the state universities. This is expected to have a positive impact on enrollment throughout the system. For the first time, the Board last year looked at modifying its tuition practices. Western CSU's out-of-state graduate tuition rate was lowered to target populations of students in neighboring New York. This may become a more common policy approach if successful in attracting more students to state university programs.

The Board also has engaged consulting support to review current enrollment management policies and practices with the goal of formulating new strategies to increase recruitment and retention of students. With the passage of Public Act 12-40, a move strongly supported by board leadership, the system also is examining its policies for the delivery of remedial and developmental programs in order to improve the success rates of students. While this may have a short term negative effect on enrollment, the longer term benefit will be to strengthen student retention throughout the system.

As the integration of the community colleges, state universities and Charter Oak State College moves forward, the Board anticipates opportunities to streamline policies and procedures, increase efficiencies through collaborative programs and initiatives, and reduce cost at the system and institutional level through joint procurement, consolidation of information technology services and better and more effective use of capital facilities. One of the first areas where savings has been achieved is system office operations, where more than \$5 million in savings has been realized to date due to position consolidation and elimination.

The state university system is not unlike other systems in the nation that have witnessed erosion in state resources over the last few years. The decision by state leadership to integrate the three systems will, over the long term, help strengthen higher education in Connecticut and lead to a state university system

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
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that will be better able to meet the needs of students, support the state's economic development goals and cope with a more constrained state fiscal environment.

Connecticut State University System
Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents (Notes 2 and 12)	\$ 179,586,917	\$ 176,958,414
Investments (Note 2)	27,810,288	38,382,287
Student receivables	177,317,348	172,834,307
Allowance-doubtful student receivables	(3,466,003)	(2,910,292)
Student receivables, net (Note 3)	<u>173,851,345</u>	<u>169,924,015</u>
Student loans receivable (Notes 3 and 4)	2,805,148	1,566,837
Grants receivable, net (Note 3)	2,431,699	2,224,987
Miscellaneous receivables, net (Note 3)	1,197,906	1,546,414
Due from the State of Connecticut (Notes 1 and 5)	32,764,441	44,390,895
Prepaid expenses and other current assets	3,794,656	3,462,361
Total current assets	<u>424,242,400</u>	<u>438,456,210</u>
Noncurrent assets		
Cash and cash equivalents (Notes 2 and 12)	122,559,183	116,227,270
Investments (Note 2)	26,826,621	26,566,294
Student loans receivable	12,187,685	12,667,346
Allowance-doubtful loan receivables	(2,934,572)	(2,803,270)
Loans receivable, net (Notes 3 and 4)	<u>9,253,113</u>	<u>9,864,076</u>
Other assets	2,171,183	2,266,325
Investment in plant	1,502,830,345	1,440,894,327
Accumulated depreciation	(626,013,593)	(587,962,680)
Investment in plant, net of accumulated depreciation (Note 6)	<u>876,816,752</u>	<u>852,931,647</u>
Total noncurrent assets	<u>1,037,626,852</u>	<u>1,007,855,612</u>
Total assets	<u>\$ 1,461,869,252</u>	<u>\$ 1,446,311,822</u>

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

Connecticut State University System
Statements of Net Assets
June 30, 2012 and 2011

(Continued)

	2012	2011
Liabilities		
Current liabilities		
Accounts payable	\$ 11,770,751	\$ 9,334,906
Accrued salaries and benefits	37,959,908	51,500,176
Accrued compensated absences (Note 7)	2,168,837	2,148,016
Due to the State of Connecticut	3,382,103	3,261,082
Deferred revenue (Note 9)	189,977,908	185,058,393
Bonds payable (Note 8)	15,842,193	18,350,340
Accrued bond interest payable	1,824,960	1,899,900
Capital lease obligation (Note 8)	5,874	8,102
Other liabilities	7,145,430	3,697,762
Depository accounts	3,501,047	3,715,280
Total current liabilities	<u>273,579,011</u>	<u>278,973,957</u>
Noncurrent liabilities		
Accrued compensated absences (Note 7)	34,172,144	31,966,609
Bonds payable (Note 8)	250,893,275	268,565,197
Federal loan program advances	9,777,097	9,777,097
Deferred compensation	190,362	190,057
Other liabilities (Note 7)	4,130,879	6,243,329
Capital lease obligation (Note 8)	-	5,874
Total noncurrent liabilities	<u>299,163,757</u>	<u>316,748,163</u>
Total liabilities	<u>572,742,768</u>	<u>595,722,120</u>
Net Assets		
Invested in capital assets, net of related debt	712,214,588	686,810,624
Restricted		
Nonexpendable	400,569	560,409
Expendable	50,403,929	41,413,695
Unrestricted	126,107,398	121,804,974
Total net assets	<u>889,126,484</u>	<u>850,589,702</u>
Total liabilities and net assets	<u>\$ 1,461,869,252</u>	<u>\$ 1,446,311,822</u>

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

Connecticut State University System
Combined Statements of Net Assets – Component Units
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents (Note 2)	\$ 5,261,436	\$ 5,170,730
Investments (Note 2)	73,526,865	69,839,095
Contributions and other receivables (Note 3)	5,168,348	4,880,574
Prepaid expenses and other assets	989,514	987,295
Investment in plant, net (Note 6)	5,598,727	4,256,980
Total assets	<u>\$ 90,544,890</u>	<u>\$ 85,134,674</u>
Liabilities		
Accounts payable	\$ 169,272	\$ 125,229
Custodial obligation payable	39,350	43,350
Other liabilities	714,622	909,577
	<u>923,244</u>	<u>1,078,156</u>
Net assets		
Permanently restricted	65,486,519	60,976,047
Temporarily restricted	22,982,335	22,183,083
Unrestricted	1,152,792	897,388
Total net assets	<u>89,621,646</u>	<u>84,056,518</u>
Total liabilities and net assets	<u>\$ 90,544,890</u>	<u>\$ 85,134,674</u>

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

Connecticut State University System
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues		
Tuition and fees		
Tuition and fees	\$ 290,506,402	\$ 291,055,926
Less		
Scholarships allowance	24,451,191	25,017,499
Waivers	11,262,138	11,046,307
Tuition and fees, net of scholarship allowances and waivers	<u>254,793,073</u>	<u>254,992,120</u>
Federal grants and contracts	44,550,863	46,790,937
State and local grants and contracts	14,419,323	15,240,478
Nongovernment grants and contracts	3,092,044	2,917,831
Indirect cost recoveries	977,655	1,318,578
Auxiliary revenues	90,559,061	91,098,883
Other operating revenues	17,096,195	15,638,746
Total operating revenues	<u>425,488,214</u>	<u>427,997,573</u>
Operating expenses (Note 13)		
Personnel service and fringe benefits	406,853,351	409,427,481
Professional services and fees	25,870,585	25,964,115
Educational services and support	86,620,847	89,453,429
Travel expenses	6,351,076	5,716,171
Operation of facilities (Note 1)	41,336,484	50,468,708
Other operating supplies and expenses	22,939,328	20,540,961
Depreciation expense	51,676,986	51,375,553
Amortization expense	87,292	95,017
Total operating expenses	<u>641,735,949</u>	<u>653,041,435</u>
Operating loss	<u>(216,247,735)</u>	<u>(225,043,862)</u>
Nonoperating revenues (expenses)		
State appropriations	209,201,643	245,057,506
Gifts	1,601,300	1,499,845
Investment income	1,106,741	1,295,335
Interest expense (Note 1)	(10,355,924)	(11,471,317)
State financed plant facilities (Note 1)	2,855,528	17,262,848
Other nonoperating revenues	1,973,314	2,247,727
Net nonoperating revenues	<u>206,382,602</u>	<u>255,891,944</u>
Income (loss) before other changes in net assets	<u>(9,865,133)</u>	<u>30,848,082</u>
Other changes in net assets		
State appropriations restricted for capital purposes	49,348,227	25,417,098
Gain (loss) on disposal of capital assets (Note 1)	(946,312)	(786,444)
Net other changes in net assets	<u>48,401,915</u>	<u>24,630,654</u>
Net increase in net assets	<u>38,536,782</u>	<u>55,478,736</u>
Net assets		
Net assets - beginning of year	<u>850,589,702</u>	<u>795,110,966</u>
Net assets - end of year	<u>\$ 889,126,484</u>	<u>\$ 850,589,702</u>

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

Connecticut State University System
Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units
Years Ended June 30, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012	2011
Revenues, gains and other support					
Contributions	\$ 3,052,781	\$ 3,582,629	\$ 4,838,710	\$ 11,474,120	\$ 11,481,184
Program income	22,458	479,000	5,925	507,383	411,967
Investment income	345,001	1,266,727	692	1,612,420	1,542,288
Gain (loss) on investments	(141,256)	(944,511)	(12,003)	(1,097,770)	10,041,749
Other income	551,829	-	-	551,829	233,931
Net assets released from restrictions	3,351,831	(2,998,872)	(352,959)	-	-
Total revenues, gains and other support	<u>7,182,644</u>	<u>1,384,973</u>	<u>4,480,365</u>	<u>13,047,982</u>	<u>23,711,119</u>
Operating expenses					
Scholarships and awards	774,907	-	-	774,907	519,546
University support	4,025,657	-	-	4,025,657	3,245,146
Auxiliary services	650,449	-	-	650,449	484,136
Academic enrichment	900,929	-	-	900,929	799,226
Fundraising	815,893	-	-	815,893	664,624
Management and general	315,019	-	-	315,019	303,861
Total operating expenses	<u>7,482,854</u>	<u>-</u>	<u>-</u>	<u>7,482,854</u>	<u>6,016,539</u>
Transfers between funds	219,176	(247,282)	28,106	-	-
Changes in net assets	<u>(81,034)</u>	<u>1,137,691</u>	<u>4,508,471</u>	<u>5,565,128</u>	<u>17,694,580</u>
Net assets					
Beginning of year	897,388	22,183,083	60,976,047	84,056,518	66,361,938
End of year	<u>\$ 816,354</u>	<u>\$ 23,320,774</u>	<u>\$ 65,484,518</u>	<u>\$ 89,621,646</u>	<u>\$ 84,056,518</u>

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

Connecticut State University System
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Tuition and fees	\$ 231,245,603	\$ 226,792,658
Grants and contracts	61,563,273	64,987,658
Auxiliary revenues	87,817,824	89,119,148
Other operating revenues	19,642,622	18,336,657
Payments to employees for salaries and benefits	(418,208,587)	(407,086,521)
Payments to suppliers	(6,060,960)	(6,805,347)
Professional services and fees	(26,121,038)	(25,925,948)
Educational services and support	(87,091,759)	(89,401,643)
Travel expenses	(6,351,897)	(5,721,756)
Operation of facilities	(40,557,439)	(48,735,031)
Other operating supplies and expenses	(15,088,726)	(14,543,926)
University fee receipts	25,634,145	25,609,208
Net cash used in operating activities	<u>(173,576,939)</u>	<u>(173,374,843)</u>
Cash flows from noncapital financing activities		
State appropriations	220,546,184	245,785,962
Gifts for other than capital purposes	1,601,299	1,499,846
Nonoperating revenue other	2,008,269	2,247,147
Nonoperating revenue other - transfer to state	-	(13,329,588)
Net cash provided by noncapital financing activities	<u>224,155,752</u>	<u>236,203,367</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	34,791,598	5,256,143
Purchases of investments	(23,893,086)	(30,739,160)
Interest and dividends received on investments	1,132,470	1,315,280
Net cash provided by (used in) investing activities	<u>12,030,982</u>	<u>(24,167,737)</u>
Cash flows from capital and related financing activities		
Cash paid for capital assets	(73,260,502)	(57,440,968)
State capital appropriations received	52,240,001	40,995,173
Proceeds of new bond issuance	49,040,000	41,045,000
Repayments of capital debt and leases	(69,525,892)	(32,986,510)
Interest paid on capital debt and leases	(11,571,946)	(11,850,820)
Payments on bond issuance costs	(586,840)	(735,039)
Proceeds from the sale of equipment	15,800	24,920
Net cash used in capital and related financing activities	<u>(53,649,379)</u>	<u>(20,948,244)</u>
Net increase in cash and cash equivalents	8,960,416	17,712,543
Cash and cash equivalents, beginning of year	293,185,684	275,473,141
Cash and cash equivalents, end of year	<u>\$ 302,146,100</u>	<u>\$ 293,185,684</u>

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

Connecticut State University System
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (216,247,735)	\$ (225,043,862)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	51,676,986	51,375,553
Bad debt write-offs	32	21,211
Amortization	87,292	95,017
Changes in assets and liabilities:		
Receivables	(4,412,916)	(4,921,493)
Prepaid expenses and other	(272,797)	56,292
Accounts payable	315,549	(609,199)
Accrued salaries	(13,540,270)	2,199,947
Other liabilities	2,690,035	1,306,903
Due to/from the State of Connecticut	121,021	372,799
Deferred revenues	4,919,518	1,810,962
Deferred compensation	305	(208,370)
Deposit accounts	(214,233)	136,817
Accrued bond interest payable	(74,940)	(16,710)
Accrued compensated absences	1,375,214	49,290
Net cash used in operating activities	<u>\$ (173,576,939)</u>	<u>\$ (173,374,843)</u>
Noncash financing activity		
Fixed assets acquired by incurring capital lease obligations	\$ -	\$ 87,169
Fixed assets included in accounts payable	\$ 4,458,076	\$ 2,305,272
State financed plant facilities	\$ 2,855,528	\$ 17,262,848
Reconciliation of cash and cash equivalents to the combined statements of net assets		
Cash and cash equivalents classified as current assets	\$ 179,586,917	\$ 176,958,414
Cash and cash equivalents classified as noncurrent assets	<u>122,559,183</u>	<u>116,227,270</u>
	<u>\$ 302,146,100</u>	<u>\$ 293,185,684</u>

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

Connecticut State University System

Notes to Financial Statements

June 30, 2012 and 2011

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. Until January 1, 2012, responsibility for CSUS was vested in the Trustees of Connecticut State University System (the “Trustees”) who, in turn, appointed 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 became effective July 1, 2011, but the existing college and University System boards of trustees remained in place until January 1, 2012. Effective January 1, 2012, the BOR serves as the CSUS and CTC boards of trustees and as the Board of State Academic Awards (“BSAA”, which governs Charter Oak) and assumed 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 financial statements include the statements of CSUS and its aggregate discretely presented component units. The statements of CSUS present the 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 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 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 Financial Statements

June 30, 2012 and 2011

- The 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 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, and interest expense and loss on disposal of capital assets are recorded as 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

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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 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, 2012 and 2011. 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, 2012 and 2011. 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, 2012 and 2011. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2012 and 2011 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, 2012 and 2011. Long-term liabilities include balances that are expected to be paid after one year from June 30, 2012 and 2011.

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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. Investments are carried at fair value, based upon quoted market prices. 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, 2012 and 2011.

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 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 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 \$842,325 and \$832,548 at June 30, 2012 and 2011, respectively, consist primarily of supplies for plumbing, maintenance, auto, carpentry, electrical and custodial, and are valued at cost. Inventories are included in prepaid expenses and other current assets in the statement of net assets.

Investment in Plant

Capital assets are stated at cost. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets. Land, capitalized collections, 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

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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 through 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”). For projects other than CSUS 2020 projects, the entire cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Universities when the project is complete and/or when title passes from DPW or its successor DCS to CSUS. Amounts recognized for such projects were \$2.9 million and \$17.3 million for the years ended June 30, 2012 and 2011, respectively. Connecticut State University System’s comprehensive long-term capital infrastructure investment plan (“CSUS 2020”), was developed consistent with master facilities plans established by its individual universities – Central, Eastern, Southern and Western Connecticut State Universities. For CSUS 2020 projects administered by DPW and its successor DCS, revenue and construction in progress are recorded as project expenses are incurred. In regards to CSUS 2020 projects, DPW and later DCS administer the larger projects – generally more than \$2 million. For CSUS 2020 projects, the state general obligation bond proceeds are deposited into the CSUS 2020 Fund. For the previously mentioned projects, CSUS does not receive the appropriation, which is why the revenue and capital asset are not recorded until project completion. The revenue recognized for CSUS 2020 projects being administered by DPW and later DCS is included in “State appropriations restricted for capital purposes” .

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, 2012 and 2011 were \$246,303 and \$222,931, 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 \$10.6 million and \$10.5 million for the fiscal years ended June 30, 2012 and 2011, respectively. Interest capitalized for the fiscal years ended June 30, 2012 and 2011, totaled \$1.5 million and \$.7 million, respectively. The cumulative capitalized interest was \$11.2 million and \$9.7 million as of June 30, 2012 and 2011, respectively. The capitalized interest is being amortized over 35 years. Amortization of capitalized interest for the years ended June 30, 2012 and 2011 was \$1.2 million and \$.4 million, respectively.

Compensated Absences

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

Due from/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 \$19.8 million and \$29.7 million as of June 30, 2012 and 2011, 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, 2012 and 2011, respectively.

Connecticut State University System

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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, 2012 and 2011, but applicable to the 2012 or 2011 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 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, 2012 and 2011 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.

Subsequent Events

In accordance with generally accepted accounting principles, CSUS has evaluated subsequent events for the period after June 30, 2012, through December 10, 2012, the date the financial statements were issued. Management is not aware of any subsequent events that would have a material impact on the June 30, 2012 financial statements.

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents includes approximately \$71.0 million and \$34.2 million at June 30, 2012 and 2011, 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.

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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, 2012 and 2011 were .12% and .18%, respectively. CSUS operating funds held by the State that participated in the aforementioned program were \$216.6 million and \$245.1 million at June 30, 2012 and 2011, respectively.

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

	2012		2011	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 302,146,100	\$ 302,146,100	\$ 293,185,684	\$ 293,185,684
U.S. Mutual Funds- Governmental	39,523,914	39,523,914	49,643,337	49,643,337
Guaranteed Investment Contracts	15,112,995	15,112,995	15,305,244	15,305,244
	<u>\$ 356,783,009</u>	<u>\$ 356,783,009</u>	<u>\$ 358,134,265</u>	<u>\$ 358,134,265</u>

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

	2012		2011	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 5,261,436	\$ 5,261,436	\$ 5,170,730	\$ 5,170,730
Investments	70,043,305	73,526,865	64,845,521	69,839,095
	<u>\$ 75,304,741</u>	<u>\$ 78,788,301</u>	<u>\$ 70,016,251</u>	<u>\$ 75,009,825</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 guaranteed investment contracts was AA+, as rated by Standard & Poor's Ratings as of June 30, 2012.

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Custodial Credit Risk – At June 30, 2012 and 2011, the carrying amount of CSUS’s bank deposits was \$1.3 million and \$2.3 million, respectively, as compared to bank balances of \$3.5 million and \$4.8 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 is covered by federal deposit insurance as of June 30, 2012 and 2011. The remaining balances of \$2.7 million and \$4.0 million at June 30, 2012 and 2011, respectively, are 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.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. 84% of CSUS total cash, cash equivalents and investments is invested in the STIF and the State’s pooled, interest credit program accounts as of June 30, 2012 compared to 81% at the end of fiscal year 2011.

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	2012 Investment Maturities (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	\$ 39,523,914	\$ 39,523,914	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	15,112,995	1	1	3,002	15,109,991
	<u>\$ 54,636,909</u>	<u>\$ 39,523,915</u>	<u>\$ 1</u>	<u>\$ 3,002</u>	<u>\$ 15,109,991</u>

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>

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3. Receivables

Receivables consisted of the following at June 30:

	2012	2011
Student accounts receivable	\$ 177,317,348	\$ 172,834,307
Student loans receivable	14,992,833	14,234,183
Grants receivable	2,571,307	2,364,601
Miscellaneous receivables	1,197,906	1,546,414
	<u>196,079,394</u>	<u>190,979,505</u>
Less allowance for doubtful accounts	<u>(6,540,183)</u>	<u>(5,853,176)</u>
Net accounts receivable	<u>\$ 189,539,211</u>	<u>\$ 185,126,329</u>

Student accounts receivable above include \$167,196,222 and \$159,663,658 representing amounts included in deferred revenue at June 30, 2012 and 2011, respectively.

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

	2012	2011
Contributions and other receivables	<u>\$ 5,168,348</u>	<u>\$ 4,880,574</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, 2012 and 2011. 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, 2012 and 2011, the allowance for uncollectible loans was \$2,934,572 and \$2,803,270, respectively.

Connecticut State University System
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5. Due from the State of Connecticut

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

	2012	2011
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	\$ 19,881,623	\$ 29,855,586
State appropriations for capital projects	<u>12,882,818</u>	<u>14,535,309</u>
	<u>\$ 32,764,441</u>	<u>\$ 44,390,895</u>

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

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6. Investment in Plant

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

	Balance June 30, 2011	Year ended June 30, 2012		Balance June 30, 2012
		Additions	Retirements and Transfers	
Capital assets not being depreciated:				
Land	\$ 19,770,961	\$ 82,870	\$ (24,750)	\$ 19,829,081
Capitalized collections	7,971,224	71,227	-	8,042,451
Construction in progress	23,041,325	52,757,386	(18,313,253)	57,485,458
Total capital assets not being depreciated	<u>\$ 50,783,510</u>	<u>\$ 52,911,483</u>	<u>\$ (18,338,003)</u>	<u>\$ 85,356,990</u>
Other capital assets:				
Land improvements	\$ 84,351,932	\$ 5,935,033	\$ (182,272)	\$ 90,104,693
Buildings and building improvements	1,114,544,157	23,245,676	(4,167,770)	1,133,622,063
Furniture, fixtures and equipment	137,020,759	10,035,328	(9,683,451)	137,372,636
Library materials	54,193,969	3,049,191	(869,197)	56,373,963
Total other capital assets	<u>1,390,110,817</u>	<u>42,265,228</u>	<u>(14,902,690)</u>	<u>1,417,473,355</u>
Less accumulated depreciation for:				
Land improvements	(42,673,411)	(3,900,746)	29,607	(46,544,550)
Buildings and building improvements	(426,673,730)	(32,803,747)	3,921,777	(455,555,700)
Furniture, fixtures and equipment	(88,676,634)	(11,359,266)	9,038,867	(90,997,033)
Library materials	(29,938,905)	(3,613,227)	635,822	(32,916,310)
Total accumulated depreciation	<u>(587,962,680)</u>	<u>(51,676,986)</u>	<u>13,626,073</u>	<u>(626,013,593)</u>
Other capital assets, net	<u>\$ 802,148,137</u>	<u>\$ (9,411,758)</u>	<u>\$ (1,276,617)</u>	<u>\$ 791,459,762</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 50,783,510	\$ 52,911,483	\$ (18,338,003)	\$ 85,356,990
Other capital assets, at cost	1,390,110,817	42,265,228	(14,902,690)	1,417,473,355
Total cost of capital assets	1,440,894,327	95,176,711	(33,240,693)	1,502,830,345
Less accumulated depreciation	<u>(587,962,680)</u>	<u>(51,676,986)</u>	<u>13,626,073</u>	<u>(626,013,593)</u>
Capital assets, net	<u>\$ 852,931,647</u>	<u>\$ 43,499,725</u>	<u>\$ (19,614,620)</u>	<u>\$ 876,816,752</u>
Component Units				
Total cost of capital assets	\$ 5,010,237	\$ 1,797,438	\$ (317,301)	\$ 6,490,374
Less accumulated depreciation	<u>(753,257)</u>	<u>(138,390)</u>	<u>-</u>	<u>(891,647)</u>
Capital assets, net	<u>\$ 4,256,980</u>	<u>\$ 1,659,048</u>	<u>\$ (317,301)</u>	<u>\$ 5,598,727</u>

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	Year ended June 30, 2011			Balance June 30, 2011
	Balance June 30, 2010	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	\$ 40,192,836	\$ 18,614,385	\$ (8,023,711)	\$ 50,783,510
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	1,352,006,149	47,675,482	(9,570,814)	1,390,110,817
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	(545,252,952)	(51,375,553)	8,665,825	(587,962,680)
Other capital assets, net	\$ 806,753,197	\$ (3,700,071)	\$ (904,989)	\$ 802,148,137
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	(545,252,952)	(51,375,553)	8,665,825	(587,962,680)
Capital assets, net	\$ 846,946,033	\$ 14,914,314	\$ (8,928,700)	\$ 852,931,647
Component Units				
Total cost of capital assets	\$ 4,798,909	\$ 245,276	\$ (33,948)	\$ 5,010,237
Less accumulated depreciation	(611,130)	(156,557)	14,430	(753,257)
Capital assets, net	\$ 4,187,779	\$ 88,719	\$ (19,518)	\$ 4,256,980

7. Accrued Compensated Absences

Accrued compensated absences as of June 30, include:

	2012	2011
Accrued vacation	\$ 21,655,343	\$ 21,189,877
Accrued sick leave	7,296,492	6,458,643
Other accrued fringe benefits	7,389,146	6,466,105
	<u>36,340,981</u>	<u>34,114,625</u>
Less: current portion	2,168,837	2,148,016
Noncurrent portion	\$ 34,172,144	\$ 31,966,609

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

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	34,114,625
Additions in 2012	4,616,288
Retirements in 2012	<u>(2,389,932)</u>
Balance as of June 30, 2012	<u>\$ 36,340,981</u>

These accruals represent estimated amounts earned by all eligible employees through June 30, 2012 and 2011. 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 at both June 30, 2012 and June 30, 2011. The liability at June 30, 2011 was all noncurrent and approximately \$4.1 million was noncurrent at June 30, 2012, being reported as noncurrent other liabilities. At June 30, 2012, approximately \$2.1 million was current and that portion is recorded as current 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

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\$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, 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.

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

Issue Date	Type	2012	2011
March 1993	Original	\$ -	\$ 465,000
October 1993	Refunded	-	1,484,496
June 2001	Refunded	1,648,080	2,067,353
November 2001	Refunded	833,324	1,242,049
August 2002	Refunded	776,355	776,355
April 2005	Refunded	422,547	422,547
December 2007	Refunded	2,608,765	3,437,163
		<u>\$ 6,289,071</u>	<u>\$ 9,894,963</u>

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

Year	Principal	Interest
2013	1,974,402	316,867
2013	1,572,030	201,202
2014	1,541,137	122,578
2015	778,954	42,329
2016	422,548	22,585
	<u>\$ 6,289,071</u>	<u>\$ 705,561</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.

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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.

On April 4, 2012, CHEFA issued \$49.0 million of Series L Revenue Bonds on behalf of CSUS to advance refund portions of Series Bond E and current refund portions of Series Bond B. The Bonds mature from 2012 to 2029 with interest rates varying from two and one-half percent (2.5%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the

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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 2012 refunding of portions of Series B and 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 an in substance defeasance 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 \$53.6 million at June 30, 2012. The outstanding amount of the refunded bonds totaled approximately \$49.0 million at June 30, 2012. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$2.5 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 \$8.6 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of approximately \$4.2 million.

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 amount of the refunded bonds totaled approximately \$14.7 million at both June 30, 2012 and 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. The outstanding amount of these refunded bonds totaled approximately \$60.1 million at both June 30, 2012 and 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. The outstanding amount of these refunded bonds totaled approximately \$49.3 million at both June 30, 2012 and 2011.

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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. The outstanding amount of these refunded bonds totaled approximately \$25.7 million and \$31.0 million at June 30, 2012 and 2011, respectively.

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

	2012	2011
CHEFA Revenue Bonds Series B	\$ -	\$ 1,860,000
CHEFA Revenue Bonds Series D	-	3,845,000
CHEFA Revenue Bonds Series E	-	53,250,000
CHEFA Revenue Bonds Series F	24,735,000	29,875,000
CHEFA Revenue Bonds Series G	32,200,000	33,925,000
CHEFA Revenue Bonds Series H	48,310,000	48,320,000
CHEFA Revenue Bonds Series I	62,425,000	62,515,000
CHEFA Revenue Bonds Series J	27,035,000	27,035,000
CHEFA Revenue Bonds Series K	14,010,000	14,010,000
CHEFA Revenue Bond Series L	49,040,000	-
	<u>\$ 257,755,000</u>	<u>\$ 274,635,000</u>

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

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

Maturity	Principal	Interest
2013	13,460,000	10,538,373
2014	15,615,000	9,801,934
2015	15,930,000	9,112,580
2016	16,180,000	8,390,110
2017	14,330,000	7,707,300
2018-2022	66,270,000	29,473,656
2023-2027	51,485,000	16,354,688
2028-2032	45,305,000	7,790,812
2033-2036	19,180,000	787,550
	<u>\$ 257,755,000</u>	<u>\$ 99,957,003</u>

Long-term liability activity for the years ended June 30, 2012 and 2011 was as follows:

	Year Ended June 30, 2012			
	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Bonds payable	\$ 284,529,963	\$ 49,040,000	\$ (69,525,892)	\$ 264,044,071
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	2,385,574	2,193,449	(1,887,626)	2,691,397
Total bonds payable	286,915,537	51,233,449	(71,413,518)	266,735,468
Capital lease obligations	13,976		(8,102)	5,874
Deferred compensation	190,057	305	-	190,362
Total	<u>\$ 287,119,570</u>	<u>\$ 51,233,754</u>	<u>\$ (71,421,620)</u>	<u>\$ 266,931,704</u>

	Year Ended June 30, 2011			
	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
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>

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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 off in full during the year ended June 30, 2011.

9. Deferred Revenue

Deferred revenue consists of the following at June 30, 2012 and 2011:

	2012	2011
Unearned tuition and fees	\$ 187,468,566	\$ 183,047,163
Grants and contracts	1,709,445	1,830,780
Other	799,897	180,450
	<u>\$ 189,977,908</u>	<u>\$ 185,058,393</u>

10. Retirement 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, 2012, approximately thirty-one percent (31%) of the CSUS workforce was covered under the Tier II or Tier II A Plans. CSUS makes contributions on behalf of the employees through a fringe benefit charge assessed by the State of Connecticut.

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

Funding Policy

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

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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.

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.

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, 2012 and 2011. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net asset balances at June 30, 2012 and 2011 were as follows:

	2012	2011
System Office	\$ 1,301,602	\$ 435,117
Central Connecticut State University	6,672,334	7,101,053
Eastern Connecticut State University	1,590,516	3,137,337
Southern Connecticut State University	3,383,531	3,227,461
Western Connecticut State University	4,626,805	3,113,140
	<u>\$ 17,574,788</u>	<u>\$ 17,014,108</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

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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 statement of revenues, expenses and changes in net assets.

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

	2012	2011
Cash balances held with the State of Connecticut on behalf of the universities (excluding STIF)	\$ 229,778,447	\$ 256,721,013
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	<u>71,025,660</u>	<u>34,152,109</u>
	<u>\$ 300,804,107</u>	<u>\$ 290,873,122</u>

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13. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

	Year ended June 30, 2012								
	Natural Classification								
	Personnel service and fringe benefits	Professional service and fees	Educational service and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	\$ 36,031,442	\$ 1,115,246	\$ 2,606,564	\$ 1,413,212	\$ 346,801	\$ 2,422,784			\$ 43,936,049
Auxiliary enterprises	13,582,437	11,656,802	22,721,730	57,747	9,866,636	2,143,753			60,029,105
Institution support	73,630,296	4,749,447	1,323,695	557,930	3,437,054	8,202,326			91,900,748
Instruction	192,669,967	1,501,957	822,144	773,013	558,665	2,203,439			198,529,185
Physical plant	32,625,589	2,728,268	37,150	11,001	25,319,178	2,203,498	51,675,933	87,292	114,687,909
Public service	7,166,312	1,297,200	759,312	913,299	755,668	726,798			11,618,589
Research	2,285,521	625,879	470,943	401,980	46,785	492,483			4,323,591
Scholarships, loans and refunds	706,616	177,159	56,525,019	46,732	11,189	1,650,460			59,117,175
Student services	48,155,171	2,018,627	1,354,290	2,176,162	994,508	2,893,787	1,053		57,593,598
Total expenses	\$ 406,853,351	\$ 25,870,585	\$ 86,620,847	\$ 6,351,076	\$ 41,336,484	\$ 22,939,328	\$ 51,676,986	\$ 87,292	\$ 641,735,949

	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

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Combining Statements of Net Assets
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Assets								
Current assets:								
Cash and cash equivalents	\$ 56,428,043	\$ 16,987,630	\$ 57,102,186	\$ 31,214,690	\$ 17,854,368	\$ -	\$ 179,586,917	\$ 176,958,414
Investments	-	-	-	-	27,810,288	-	27,810,288	38,382,287
Student receivables	51,259,162	40,227,362	53,677,306	32,153,518	-	-	177,317,348	172,834,307
Allowance-doubtful student receivables	(532,710)	(1,249,944)	(708,920)	(974,429)	-	-	(3,466,003)	(2,910,292)
Student receivables, net	50,726,452	38,977,418	52,968,386	31,179,089	-	-	173,851,345	169,924,015
Student loans receivable	646,300	162,895	1,791,306	204,647	-	-	2,805,148	1,566,837
Grant receivables, net	1,129,964	312,422	756,048	233,265	-	-	2,431,699	2,224,987
Miscellaneous receivables, net	670,894	407,387	64,713	54,633	279	-	1,197,906	1,546,414
Due from the State of Connecticut	9,247,927	5,026,428	9,810,546	7,290,106	1,389,434	-	32,764,441	44,390,895
Due from SO and Universities	-	6,041	75	-	248,781	(254,897)	-	-
Prepaid expenses and other current assets	1,634,791	405,212	435,521	211,411	1,107,721	-	3,794,656	3,462,361
Total current assets	120,484,371	62,285,433	122,928,781	70,387,841	48,410,871	(254,897)	424,242,400	438,456,210
Noncurrent assets:								
Cash and cash equivalents	26,412,984	3,161,086	21,513,356	7,223,966	64,247,791	-	122,559,183	116,227,270
Investments	-	-	-	-	26,826,621	-	26,826,621	26,566,294
Due from SO and Universities	3,274,720	-	-	-	-	(3,274,720)	-	-
Student loans receivable	3,699,319	1,509,172	5,030,190	1,949,004	-	-	12,187,685	12,667,346
Allowance-doubtful loan receivables	(781,788)	(398,948)	(1,290,949)	(462,887)	-	-	(2,934,572)	(2,803,270)
Loans receivable, net	2,917,531	1,110,224	3,739,241	1,486,117	-	-	9,253,113	9,864,076
Other assets	-	-	63,509	96,885	2,010,789	-	2,171,183	2,266,325
Investment in plant	375,977,904	371,556,582	418,936,963	300,012,359	26,970,269	9,376,268	1,502,830,345	1,440,894,327
Accumulated depreciation	(176,370,729)	(128,779,649)	(183,733,851)	(116,514,442)	(20,614,922)	-	(626,013,593)	(587,962,680)
Investment in plant, net of accumulated depreciation	199,607,175	242,776,933	235,203,112	183,497,917	6,355,347	9,376,268	876,816,752	852,931,647
Total noncurrent assets	232,212,410	247,048,243	260,519,218	192,304,885	99,440,548	6,101,548	1,037,626,852	1,007,855,612
Total assets	\$ 352,696,781	\$ 309,333,676	\$ 383,447,999	\$ 262,692,726	\$ 147,851,419	\$ 5,846,651	\$ 1,461,869,252	\$ 1,446,311,822

Connecticut State University System
Combining Statements of Net Assets
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Liabilities								
Current liabilities:								
Accounts payable	\$ 3,358,361	\$ 1,384,243	\$ 5,478,626	\$ 1,220,596	\$ 328,925	\$ -	\$ 11,770,751	\$ 9,334,906
Accrued salaries and benefits	13,372,270	5,293,749	12,762,871	6,179,635	351,383	-	37,959,908	51,500,176
Accrued compensated absences	514,516	455,578	585,054	381,761	231,928	-	2,168,837	2,148,016
Due to the State of Connecticut	589,962	967,662	491,900	1,332,579	-	-	3,382,103	3,261,082
Due to SO and Universities	76,299	51,488	81,514	45,596	-	(254,897)	-	-
Deferred revenue	58,871,008	37,505,902	60,393,259	32,473,262	734,477	-	189,977,908	185,058,393
Bonds payable	-	-	-	-	15,842,193	-	15,842,193	18,350,340
Accrued bond interest payable	-	-	-	-	1,824,960	-	1,824,960	1,899,900
Capital lease obligation	-	-	5,874	-	-	-	5,874	8,102
Other liabilities	1,771,780	197,173	4,378,420	698,702	99,355	-	7,145,430	3,697,762
Depository accounts	940,335	727,156	1,400,311	433,425	(180)	-	3,501,047	3,715,280
Total current liabilities	<u>79,494,531</u>	<u>46,582,951</u>	<u>85,577,829</u>	<u>42,765,556</u>	<u>19,413,041</u>	<u>(254,897)</u>	<u>273,579,011</u>	<u>278,973,957</u>
Noncurrent liabilities:								
Accrued compensated absences	11,381,923	5,858,859	9,762,023	6,004,947	1,164,392	-	34,172,144	31,966,609
Bonds payable	-	-	-	-	250,893,275	-	250,893,275	268,565,197
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	-	-	-	-	190,362	-	190,362	190,057
Other liabilities	1,617,746	304,696	1,728,428	464,529	15,480	-	4,130,879	6,243,329
Capital lease obligation	-	-	-	-	-	-	-	5,874
Total noncurrent liabilities	<u>16,136,421</u>	<u>7,622,743</u>	<u>15,039,502</u>	<u>8,101,582</u>	<u>255,538,229</u>	<u>(3,274,720)</u>	<u>299,163,757</u>	<u>316,748,163</u>
Total liabilities	<u>95,630,952</u>	<u>54,205,694</u>	<u>100,617,331</u>	<u>50,867,138</u>	<u>274,951,270</u>	<u>(3,529,617)</u>	<u>572,742,768</u>	<u>595,722,120</u>
Net Assets								
Invested in capital assets, net of related debt	199,561,193	242,711,718	223,794,743	183,497,917	(146,727,251)	9,376,268	712,214,588	686,810,624
Restricted:								
Nonexpendable	-	60,000	(66,547)	407,116	-	-	400,569	560,409
Expendable	6,179,969	5,227,025	35,530,863	3,440,616	25,456	-	50,403,929	41,413,695
Unrestricted	<u>51,324,667</u>	<u>7,129,239</u>	<u>23,571,609</u>	<u>24,479,939</u>	<u>19,601,944</u>	<u>-</u>	<u>126,107,398</u>	<u>121,804,974</u>
Total net assets	<u>257,065,829</u>	<u>255,127,982</u>	<u>282,830,668</u>	<u>211,825,588</u>	<u>(127,099,851)</u>	<u>9,376,268</u>	<u>889,126,484</u>	<u>850,589,702</u>
Total liabilities and net assets	<u>\$ 352,696,781</u>	<u>\$ 309,333,676</u>	<u>\$ 383,447,999</u>	<u>\$ 262,692,726</u>	<u>\$ 147,851,419</u>	<u>\$ 5,846,651</u>	<u>\$ 1,461,869,252</u>	<u>\$ 1,446,311,822</u>

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012 with Comparative Balances for the Year Ended June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Operating revenues:								
Tuition and fees:								
Tuition and fees, gross	\$ 96,017,382	\$ 43,082,844	\$ 95,218,501	\$ 50,922,673	\$ 5,265,002	\$ -	\$ 290,506,402	\$ 291,055,926
Less:								
Scholarships allowance	7,667,717	4,250,866	8,450,113	4,082,495	-	-	24,451,191	25,017,499
Waivers	4,204,017	2,355,942	3,192,808	1,509,371	-	-	11,262,138	11,046,307
Debt service fee	8,240,943	4,491,535	8,375,777	4,934,732	(25,634,145)	(408,842)	-	-
Tuition and fees, net of scholarship allowances and waivers	75,904,705	31,984,501	75,199,803	40,396,075	30,899,147	408,842	254,793,073	254,992,120
Federal grants and contracts	16,344,872	6,788,091	14,496,912	6,920,988	-	-	44,550,863	46,790,937
State and local grants and contracts	5,116,120	2,155,029	4,743,182	2,404,992	-	-	14,419,323	15,240,478
Nongovernment grants and contracts	938,836	257,730	1,895,478	-	-	-	3,092,044	2,917,831
Indirect cost recoveries	463,071	284,695	229,889	-	-	-	977,655	1,318,578
Auxiliary revenues	24,017,634	25,124,521	24,994,518	16,416,246	4,115,141	(4,108,999)	90,559,061	91,098,883
Other operating revenues	3,417,559	1,563,257	11,240,907	2,197,929	8,907,545	(10,231,002)	17,096,195	15,638,746
Total operating revenues	126,202,797	68,157,824	132,800,689	68,336,230	43,921,833	(13,931,159)	425,488,214	427,997,573
Operating expenses:								
Personnel service and fringe benefits	126,857,602	72,111,141	127,353,503	72,235,636	8,295,469	-	406,853,351	409,427,481
Professional services and fees	8,577,679	3,711,082	7,783,456	4,228,147	1,570,221	-	25,870,585	25,964,115
Educational services and support	27,689,210	13,803,621	30,062,704	15,057,405	7,907	-	86,620,847	89,453,429
Travel expenses	2,842,930	800,448	1,642,004	1,030,954	34,740	-	6,351,076	5,716,171
Operation of facilities	15,996,043	8,128,767	11,020,329	8,863,731	11,667,615	(14,340,001)	41,336,484	50,468,708
Other operating supplies and expenses	4,542,567	2,992,815	7,708,508	4,454,098	2,832,498	408,842	22,939,328	20,540,961
Depreciation expense	13,365,550	12,074,363	14,087,842	10,427,579	1,721,652	-	51,676,986	51,375,553
Amortization expense	-	2,044	45,105	40,143	-	-	87,292	95,017
Total operating expenses	199,871,581	113,624,281	199,703,451	116,337,693	26,130,102	(13,931,159)	641,735,949	653,041,435
Operating income (loss)	\$ (73,668,784)	\$ (45,466,457)	\$ (66,902,762)	\$ (48,001,463)	\$ 17,791,731	\$ -	\$ (216,247,735)	\$ (225,043,862)

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012 with Comparative Balances for the Year Ended June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Nonoperating revenues (expenses)								
State appropriations	\$ 62,938,292	\$ 38,228,551	\$ 61,458,533	\$ 38,876,299	\$ 7,699,968	\$ -	\$ 209,201,643	\$ 245,057,506
Gifts	1,094,220	69,147	303,191	134,742	-	-	1,601,300	1,499,845
Investment income	137,991	38,175	131,733	56,542	742,300	-	1,106,741	1,295,335
Interest Expense	(7)	-	-	-	(11,571,946)	1,216,029	(10,355,924)	(11,471,317)
State financed plant facilities	219,932	2,635,596	-	-	-	-	2,855,528	17,262,848
Other nonoperating revenues	427,343	306,598	732,334	507,039	-	-	1,973,314	2,247,727
Transfers to the State of Connecticut	-	-	-	-	-	-	-	-
Net nonoperating revenues (expenses)	<u>64,817,771</u>	<u>41,278,067</u>	<u>62,625,791</u>	<u>39,574,622</u>	<u>(3,129,678)</u>	<u>1,216,029</u>	<u>206,382,602</u>	<u>255,891,944</u>
Income before other changes in net assets	(8,851,013)	(4,188,390)	(4,276,971)	(8,426,841)	14,662,053	1,216,029	(9,865,133)	30,848,082
Other changes in net assets								
State appropriations restricted for capital purposes	13,809,262	5,566,243	15,505,958	13,873,052	593,712	-	49,348,227	25,417,098
Gain (loss) on disposal of capital assets	(340,482)	(37,133)	(268,043)	(158,499)	(142,155)	-	(946,312)	(786,444)
Net other changes in net assets	<u>13,468,780</u>	<u>5,529,110</u>	<u>15,237,915</u>	<u>13,714,553</u>	<u>451,557</u>	<u>-</u>	<u>48,401,915</u>	<u>24,630,654</u>
Net increase in net assets	4,617,767	1,340,720	10,960,944	5,287,712	15,113,610	1,216,029	38,536,782	55,478,736
Net assets:								
Net assets - beginning 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>
Net assets - end of year	<u>\$ 257,065,829</u>	<u>\$ 255,127,982</u>	<u>\$ 282,830,668</u>	<u>\$ 211,825,588</u>	<u>\$ (127,099,851)</u>	<u>\$ 9,376,268</u>	<u>\$ 889,126,484</u>	<u>\$ 850,589,702</u>

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Cash flows from operating activities:								
Tuition and fees	\$ 77,342,622	\$ 33,469,406	\$ 75,538,129	\$ 39,221,602	\$ 5,265,002	\$ 408,842	\$ 231,245,603	\$ 226,792,658
Grants and contracts	21,776,892	9,382,591	20,980,530	9,423,260	-	-	61,563,273	64,987,658
Auxiliary revenues	23,768,847	24,055,303	24,456,460	15,531,072	4,115,141	(4,108,999)	87,817,824	89,119,148
Other operating revenues	4,173,154	2,107,088	11,082,714	2,977,308	9,533,360	(10,231,002)	19,642,622	18,336,657
Payments to employees for salaries and benefits	(129,483,301)	(74,764,225)	(131,603,055)	(73,559,487)	(8,798,519)	-	(418,208,587)	(407,086,521)
Payments to suppliers	(1,840,024)	(1,026,590)	(1,171,095)	(1,985,530)	(37,721)	-	(6,060,960)	(6,805,347)
Professional services and fees	(8,765,527)	(3,707,144)	(7,848,918)	(4,229,228)	(1,570,221)	-	(26,121,038)	(25,925,948)
Educational services and support	(28,160,122)	(13,803,621)	(30,062,704)	(15,057,405)	(7,907)	-	(87,091,759)	(89,401,643)
Travel expenses	(2,843,751)	(800,448)	(1,642,004)	(1,030,954)	(34,740)	-	(6,351,897)	(5,721,756)
Operation of facilities	(15,499,876)	(8,128,767)	(11,020,329)	(8,863,731)	(11,384,737)	14,340,001	(40,557,439)	(48,735,031)
Other operating supplies and expenses	(2,848,614)	(2,108,833)	(4,930,472)	(1,705,501)	(3,086,464)	(408,842)	(15,088,726)	(14,543,926)
University fee receipts	-	-	-	-	25,634,145	-	25,634,145	25,609,208
Net cash provided by (used in) operating activities	(62,379,700)	(35,325,240)	(56,220,744)	(39,278,594)	19,627,339	-	(173,576,939)	(173,374,843)
Cash flows from noncapital financing activities:								
State appropriations	66,085,895	41,426,923	64,631,785	40,454,541	7,947,040	-	220,546,184	245,785,962
Gifts for other than capital purposes	1,094,219	69,147	303,191	134,742	-	-	1,601,299	1,499,846
Nonoperating revenue other	462,298	306,598	732,334	507,039	-	-	2,008,269	2,247,147
Nonoperating revenue other - transfer to state	-	-	-	-	-	-	-	(13,329,588)
Net cash provided by noncapital financing activities	\$ 67,642,412	\$ 41,802,668	\$ 65,667,310	\$ 41,096,322	\$ 7,947,040	\$ -	\$ 224,155,752	\$ 236,203,367

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	-	-	-	-	\$34,791,598	-	\$ 34,791,598	\$5,256,143
Purchases of investments	-	-	-	-	(23,893,086)	-	(23,893,086)	(30,739,160)
Interest and dividends received on investments	148,957	38,175	146,496	56,542	742,300	-	1,132,470	1,315,280
Net cash provided by (used in) investing activities	148,957	38,175	146,496	56,542	11,640,812	-	12,030,982	(24,167,737)
Cash flows from capital and related financing activities:								
Cash paid for capital assets	(19,824,904)	(11,107,230)	(26,144,137)	(15,202,750)	(981,481)	-	(73,260,502)	(57,440,968)
State capital appropriations received	14,664,648	8,201,839	16,088,693	13,329,680	(44,859)	-	52,240,001	40,995,173
Proceeds of new bond issuance	-	-	-	-	49,040,000	-	49,040,000	41,045,000
Repayments of capital debt and leases	-	-	-	-	(69,525,892)	-	(69,525,892)	(32,986,510)
Interest paid on capital debt and leases	-	-	-	-	(11,571,946)	-	(11,571,946)	(11,850,820)
Payments on bond issuance costs	-	-	-	-	(586,840)	-	(586,840)	(735,039)
Proceeds from sale of property and equipment	3,350	-	-	12,450	-	-	15,800	24,920
Net cash used in capital and related financing activities	(5,156,906)	(2,905,391)	(10,055,444)	(1,860,620)	(33,671,018)	-	(53,649,379)	(20,948,244)
Net increase in cash and cash equivalents	254,763	3,610,212	(462,382)	13,650	5,544,173	-	8,960,416	17,712,543
Cash and cash equivalents, beginning of year	82,586,264	16,538,504	79,077,924	38,425,006	76,557,986	-	293,185,684	275,473,141
Cash and cash equivalents, end of year	\$ 82,841,027	\$ 20,148,716	\$ 78,615,542	\$ 38,438,656	\$ 82,102,159	\$ -	\$ 302,146,100	\$ 293,185,684

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2012 with Comparative Totals as of June 30, 2011

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2012	2011
Reconciliation of operating income (loss) to net cash provided by (used in)								
operating activities:								
Operating income (loss)	\$ (73,668,784)	\$ (45,466,457)	\$ (66,902,762)	\$ (48,001,463)	\$ 17,791,731	\$ -	\$ (216,247,735)	\$ (225,043,862)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	13,365,550	12,074,363	14,087,842	10,427,579	1,721,652	-	51,676,986	51,375,553
Bad debt write-offs	32	-	-	-	-	-	32	21,211
Amortization	-	2,044	45,105	40,143	-	-	87,292	95,017
Changes in assets and liabilities:								
Receivables	(600,115)	(1,238,172)	(2,901,056)	324,132	2,295	-	(4,412,916)	(4,921,493)
Prepaid expenses and other	(609,848)	(160,604)	(32,278)	450,748	79,185	-	(272,797)	56,292
Accounts payable	457,381	(134,656)	68,405	218,401	(293,982)	-	315,549	(609,199)
Accrued salaries	(4,020,990)	(2,756,171)	(4,601,721)	(1,868,434)	(292,954)	-	(13,540,270)	2,199,947
Other liabilities	790,932	(9,997)	1,570,815	124,213	214,072	-	2,690,035	1,306,903
Due to/from State of Connecticut	145,298	(180,619)	94,342	64,090	(2,090)	-	121,021	372,799
Due to/from Universities	3,728	(2,103)	(65,537)	(1,081)	64,993	-	-	-
Deferred revenues	1,448,744	2,191,094	1,934,131	(1,280,266)	625,815	-	4,919,518	1,810,962
Deferred compensation	-	-	-	-	305	-	305	(208,370)
Deposit accounts	(90,480)	(90,315)	224,143	(257,149)	(432)	-	(214,233)	136,817
Accrued bond interest payable	-	-	-	-	(74,940)	-	(74,940)	(16,710)
Accrued compensated absences	398,852	446,353	257,827	480,493	(208,311)	-	1,375,214	49,290
Net cash provided by (used in) operating activities	<u>\$ (62,379,700)</u>	<u>\$ (35,325,240)</u>	<u>\$ (56,220,744)</u>	<u>\$ (39,278,594)</u>	<u>\$ 19,627,339</u>	<u>\$ -</u>	<u>\$ (173,576,939)</u>	<u>\$ (173,374,843)</u>
Noncash investing, noncapital financing and capital and related financing transactions:								
Fixed assets acquired by incurring capital leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,169
Fixed assets included in accounts payable	\$ 748,974	\$ 326,063	\$ 3,125,419	\$ 167,690	\$ 89,930	\$ -	\$ 4,458,076	\$ 2,305,272
State financed plant facilities	\$ 219,932	\$ 2,635,596	\$ -	\$ -	\$ -	\$ -	\$ 2,855,528	\$ 17,262,848
Reconciliation of cash and cash equivalents to the combined statements of net assets:								
Cash and cash equivalents classified as current assets	\$ 56,428,043	\$ 16,987,630	\$ 57,102,186	\$ 31,214,690	\$ 17,854,368	\$ -	\$ 179,586,917	\$ 176,958,414
Cash and cash equivalents classified as noncurrent assets	26,412,984	3,161,086	21,513,356	7,223,966	64,247,791	-	122,559,183	116,227,270
	<u>\$ 82,841,027</u>	<u>\$ 20,148,716</u>	<u>\$ 78,615,542</u>	<u>\$ 38,438,656</u>	<u>\$ 82,102,159</u>	<u>\$ -</u>	<u>\$ 302,146,100</u>	<u>\$ 293,185,684</u>