

# **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, 2013 and 2012**

**Connecticut State University System**  
**Index to Financial Statements**  
**June 30, 2013 and 2012**

---

	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1-2
Management’s Discussion and Analysis.....	3-17
<b>Financial Statements</b>	
Statements of Net Position.....	18-19
Combined Statements of Net Assets – Component Units.....	20
Statements of Revenues, Expenses and Changes in Net Position.....	21
Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units.....	22
Statements of Cash Flows.....	23-24
Notes to Financial Statements.....	25-46
Supplemental Financial Information.....	S-1 - S-8



## **Independent Auditor's Report**

To the Board of Regents of  
Connecticut State University System

We have audited the accompanying financial statements of the primary institution 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" or the "System") as of June 30, 2013 and 2012 and for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, the affiliated foundations ("Foundations"), which statements reflect total assets of \$101.3 million and \$90.5 million and total net assets of \$99.8 million and \$89.6 million as of June 30, 2013 and 2012, respectively and total revenues, capital gains and losses and other support of \$18.6 million and \$13.0 million for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of the other auditors. We conducted our audits 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 from material misstatement.

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

## ***Opinion***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary institution and the aggregate discretely presented component units of the Connecticut State University System at June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supplemental information included on pages S-1 through S-8 are presented for purposes of additional analysis and are 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

 PricewaterhouseCoopers LLP

December 17, 2013

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**

---

**Fiscal Year 2013  
Members of the Board of Regents for Higher Education**

- Thirteen appointed by the Governor and legislative leaders (one vacancy at 6/30/2013)
- Two students chosen by their peers
- Five non-voting ex-officio members:
  - Four CT commissioners appointed by the Governor from the Departments of Public Health, Education, Economic and Community Development, and Labor
  - Chair of the Faculty Advisory Committee

Lewis J. Robinson, Jr., Chair (Resigned 8/1/2013)  
Yvette Meléndez, Vice Chair (Acting Chair effective 8/2/2013)  
Richard J. Balducci  
Naomi K. Cohen  
Lawrence DeNardis  
Nicholas M. Donofrio  
Matt Fleury  
Merle W. Harris  
Gary F. Holloway  
Craig Lappen  
René Lerer  
Michael E. Pollard  
Zac Zeitlin (Resigned 5/17/2013)

Eugene L. Bell (CCC Student)  
Michael Fraser (CSU Student – Resigned 5/31/13)  
Sarah Green (CSU Student – Effective 10/11/2013)  
Alex Tettey Jr. (CCC Student; term ended 2/22/2013)

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  
Tom Failla – Chair of the Faculty Advisory Committee (Effective 10/1/2013)

## 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. Gregory W. Gray President

# Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2013 and 2012

---

## 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, 2013 with comparative information for the fiscal years ended June 30, 2012 and 2011. 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 2013.

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 34,000 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, 2013.

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 Position, the Statements of Revenues, Expenses and Changes in Net Position 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.

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**

---

However, it is important to note that the assets of these component units are not available to CSUS for use at its discretion.

**Financial Highlights**

At June 30, 2013, total assets of the System were \$1,587.6 million, an increase of \$128.0 million or 8.8% over the prior year amount of \$1,459.6 million, primarily due to increases in investments of \$29.6 million (mainly due to CHEFA M issue of \$34.1 million), and net investment in plant of \$81.9 million (mainly buildings and improvements and construction in progress – see pages 8 and 9). At June 30, 2012, total assets of the System were \$1,459.6 million, an increase of \$15.6 million or 1.1% over the prior year amount of \$1,444.0 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 a decrease in investments of \$10.3 million.

Total liabilities at June 30, 2013, of \$596.3 million, an increase of \$26.2 million, primarily due to an increase in Bonds Payable of \$17.8 million. Total liabilities at June 30, 2012, of \$570.1 million were down \$23.2 million mainly due to a decrease in bonds payable of \$20.5 million.

At June 30, 2013, total net position, which represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was \$985.5 million, an increase of \$97.2 million or 10.9% over last fiscal year's net position of \$888.3 million. In fiscal year 2013, the System had an increase in the amount of change in net position of \$58.5 million compared to fiscal year 2012. This increase was primarily due to a net increase in state appropriations of \$48.8 million.

At June 30, 2012, total net position was \$888.3 million, an increase of \$38.7 million or 4.5 % over last fiscal year's net position of \$849.6 million. In fiscal year 2012, the System had a decrease in the amount of change in net position of \$16.8 million compared to fiscal year 2011. This decrease was primarily due to a decrease in state appropriations of \$12 million.

**Statement of Net Position**

<b>SUMMARY OF NET POSITION</b>					
<b>June 30, 2013, 2012 and 2011</b>					
<b>(\$ In millions)</b>					
				\$	%
	2013	2012	2011	Increase (Decrease) 12-13	Increase (Decrease) 12-13
Current Assets	\$461.0	\$424.0	\$438.2	\$37.0	8.7
Non-Current Assets:					
Capital Assets, net	958.7	876.8	852.9	81.9	9.3

**Connecticut State University System**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013 and 2012**

---

Other	167.9	158.8	152.9	9.1	5.7
<b>Total Assets w/o deferred outflows of resources</b>	<b>1587.6</b>	<b>1459.6</b>	<b>1444.0</b>	<b>128.0</b>	<b>8.8</b>
Deferred outflows of resources	3.0	1.5	1.3	1.5	100.0
Current Liabilities	284.5	273.2	278.6	11.3	4.1
Non-current liabilities	311.8	296.9	314.7	14.9	5.0
<b>Total Liabilities</b>	<b>596.3</b>	<b>570.1</b>	<b>593.3</b>	<b>26.2</b>	<b>4.6</b>
Deferred inflows of resources	8.8	2.7	2.4	6.1	225.9
<b>Net Position</b>					
Investment in Plant – Net of Related Debt	822.2	711.4	685.8	110.8	15.6
Restricted					
Nonexpendable	.3	.4	.6	(.1)	(25.0)
Expendable	36.4	50.4	41.4	(14.0)	(27.8)
<b>Total Restricted</b>	<b>36.7</b>	<b>50.8</b>	<b>42.0</b>	<b>(14.1)</b>	<b>(27.8)</b>
Unrestricted	126.6	126.1	121.8	.5	.4
<b>Total Net Position</b>	<b>\$985.5</b>	<b>\$888.3</b>	<b>\$849.6</b>	<b>\$ 97.2</b>	<b>10.9</b>

Current assets at June 30, 2013 of \$461.0 million increased by \$37.0 million or 8.7% primarily due to increases in investments of \$28.3 million and Due from the State of Connecticut of \$1.8 million. Total current assets represent coverage of current operating expenses excluding depreciation and amortization of approximately nine months. The System's current ratio of 1.6:1 at the end of the fiscal year is the same as the prior fiscal year.

Current assets at June 30, 2012 of \$424.0 million decreased by \$14.2 million or 3.2% primarily due to decrease in investments of \$10.6 million and due from the State of Connecticut of \$11.6 million. Total current assets represented coverage of current operating expenses excluding depreciation and amortization of approximately eight months. The System's current ratio of 1.6:1 at the end of the fiscal year is the same as the previous fiscal year.

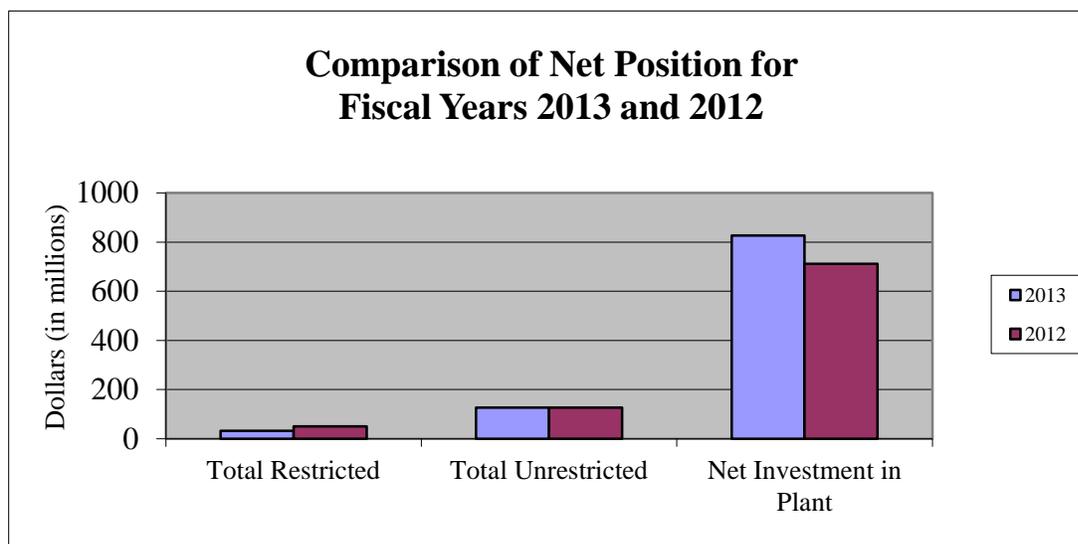
Total non-current assets at June 30, 2013, of \$1,126.6 million increased by \$91.0 million or 8.8% from the fiscal year 2012 level of \$1,035.6 million primarily due to increases in net investment in plant of \$81.9 million and cash and equivalents of \$8.1 million. Total non-current assets at June 30, 2012, of \$1,035.6 million increased by \$29.8 million or 3.0% from the fiscal year 2011 level of \$1,005.8 million

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**

primarily due to increase in net investment in plant of \$23.9 million and cash and cash equivalents of \$6.3 million.

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

Restricted net position is divided into two classifications, expendable and nonexpendable. Restricted expendable net position is subject to externally imposed restrictions governing its use. In the System, expendable net position represents the residual balances of the System's bond funds and unexpended grant funds. Restricted nonexpendable net position comprises the System's permanent funds such as the Endowment Fund.



<b>NET INVESTMENT IN PLANT</b>					
<b>June 30, 2013, 2012 and 2011</b>					
<b>(\$ In millions)</b>					
				\$	%
	2013	2012	2011	Increase (Decrease) 12-13	Increase (Decrease) 12-13
Land	\$19.7	\$19.8	\$19.8	(0.1)	(0.5)
Buildings & Improvements	1,209.3	1,133.6	1,114.5	75.7	6.7
Land Improvements	96.7	90.1	84.4	6.6	7.3
Furniture, Fixtures & Equipment	142.1	137.4	137.0	4.7	3.4
Library books and materials	66.7	64.4	62.2	2.3	3.6

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**

---

Construction in progress	98.7	57.5	23.0	41.2	71.7
<b>Total Investment in Plant</b>	<b>1,633.2</b>	<b>1,502.8</b>	<b>1,440.9</b>	<b>130.4</b>	<b>8.7</b>
Less Accumulated Depreciation	674.5	626.0	588.0	48.5	7.7
<b>Investment in Plant, Net of Depreciation</b>	<b>\$958.7</b>	<b>\$876.8</b>	<b>\$852.9</b>	<b>\$81.9</b>	<b>9.3</b>

At fiscal year end June 30, 2013, the System had total investment in plant assets of \$1,633.2 million, an increase of \$130.4 million or 8.7% over the fiscal year end 2012 level of \$1,502.8 million. This increase was primarily due to the increase in construction in progress for more CSUS 2020 projects that are at various stages of completion. Total additions to depreciable capital assets of \$96.4 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, 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 various stages of completion. Total additions to depreciable capital assets of \$42.3 million during the fiscal year again reflects 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.

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, \$12.8 million was allocated by the Bond Commission during 2011, and \$3.5 million was allocated by the Bond Commission during 2013, bringing the total amount of allocations to CSUS between 1997 and 2013 to \$711.7 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

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**

---

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, and \$95 million in 2013 for FY2012.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the seventeenth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Funds available from eight Connecticut Health and Educational Facilities Authority ("CHEFA") bond issues totaled \$278.1 million. Subsequent to June 30, 2013, CHEFA N series of bonds were sold at \$80.3 million, bringing the total to \$358.4 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 11 projects at a total estimated cost of \$114.6 million to move forward for financing under CHEFA this year and next.

Non-current liabilities at June 30, 2013 of \$311.8 million increased by \$14.9 million, mainly due to the increase in Bonds Payable of \$15.2 million for the current year's decrease for payment of principal, offset by the addition of new bonds in FY2013.

**Statement of Revenues, Expenses and Changes in Net Position**

<b>SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION June 30, 2013, 2012 and 2011 (\$ In millions)</b>					
	2013	2012	2011	\$	%
				Increase (Decrease) 12-13	Increase (Decrease) 12-13
<b>Operating Revenues</b>					
Tuition and fees	\$256.6	\$254.8	\$255.0	1.8	0.7
Auxiliary revenues	91.5	90.6	91.1	.9	1.0
Grants & Indirect Cost Recoveries	59.0	63.0	66.3	(4.0)	(6.3)
Other	17.0	17.1	15.6	(0.1)	(0.6)
<b>Total Operating Revenues</b>	<b>424.1</b>	<b>425.5</b>	<b>428.0</b>	<b>(1.4)</b>	<b>(0.3)</b>
<b>Less: Operating Expenses before depreciation and amortization</b>	<b>603.6</b>	<b>589.9</b>	<b>601.5</b>	<b>13.7</b>	<b>2.3</b>
Depreciation	54.9	51.7	51.4	3.2	6.2
Amortization	.1	.1	.1	-	-
<b>Operating Loss</b>	<b>(234.5)</b>	<b>(216.2)</b>	<b>(225.0)</b>	<b>(18.3)</b>	<b>(8.5)</b>

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**

---

<b>Non-Operating Revenues (Expenses)</b>					
State Appropriations	294.8	258.5	270.5	36.3	14.0
Investment Income	1.1	1.1	1.3	-	-
Other	35.8	(4.7)	8.4	40.5	861.7
<b>Total Non-Operating Revenues (Expenses)</b>	<b>331.7</b>	<b>254.9</b>	<b>280.2</b>	<b>76.8</b>	<b>30.1</b>
Increase in Net Position	97.2	38.7	55.2	58.5	151.2
Net Position, beginning of year	888.3	849.6	794.4	38.7	4.6
<b>Net Position, end of year</b>	<b>\$985.5</b>	<b>\$888.3</b>	<b>\$849.6</b>	<b>97.2</b>	<b>10.9</b>

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 \$755.9 million for the fiscal year increased by \$75.5 million or 11.1% compared to the fiscal year 2012 level of \$680.4 million. The increase in total net revenues was primarily due to an increase in state appropriations of \$36.3 million and State financed plant facilities of \$37.1 million. Operating revenues of \$424.1 million at June 30, 2013 decreased by \$1.4 million or .3% from the previous year value of \$425.5 million, primarily due to a decrease in grants of \$3.6 million partially offset by increases in other operating revenues. 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 FY13.

In fiscal year 2012, total net revenues of \$680.4 million decreased by \$27.8 million or 3.9% compared to the fiscal year 2011 level of \$708.2 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. Operating revenues of \$425.5 million at June 30, 2012 decreased by \$2.5 million or 0.6% from the revised previous year value of \$428.0 million, primarily due to decrease in grants of \$2.9 million.

In fiscal year 2013, state appropriations of \$294.8 million, representing 39.0% of the System's total net revenues, were \$36.3 million or 14.0% above fiscal year 2012. State appropriations are received for both operating and capital purposes. In the current year the System was allotted \$222.1 million for operating purposes and \$72.7 million for capital purposes. These allotments were 6.2% above and 47.4% 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 52% of the System's full time salary and fringe benefit costs are funded from State appropriations. The receipt of title to plant facilities of \$39.9 million during the fiscal year increased by \$37.0 million from the prior year's level of \$2.9 million.

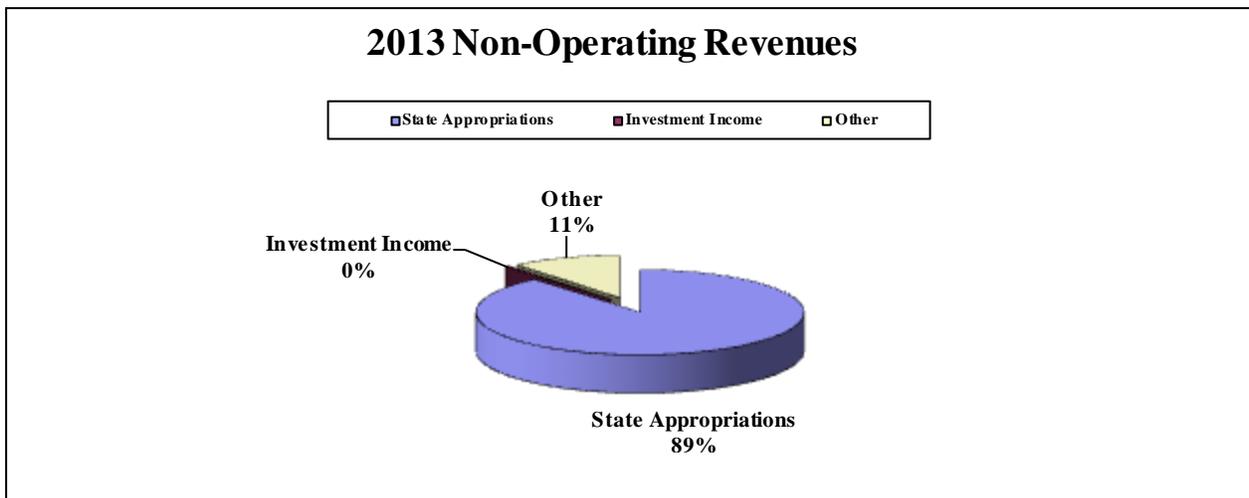
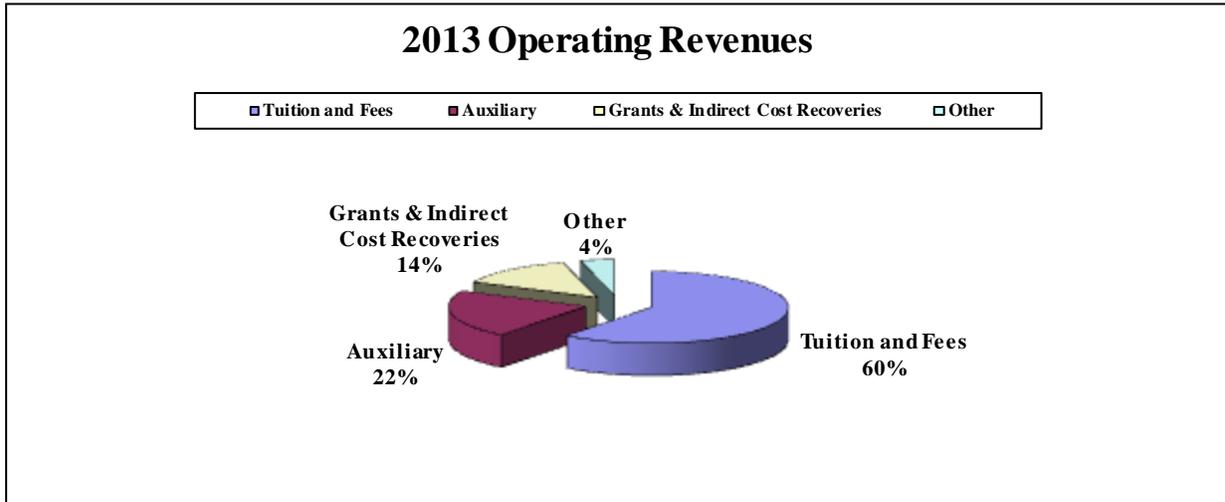
Investment income of \$1.1 million is basically level with the prior year.

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**

---

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

**Revenue by Source**



**Connecticut State University System**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013 and 2012**

---

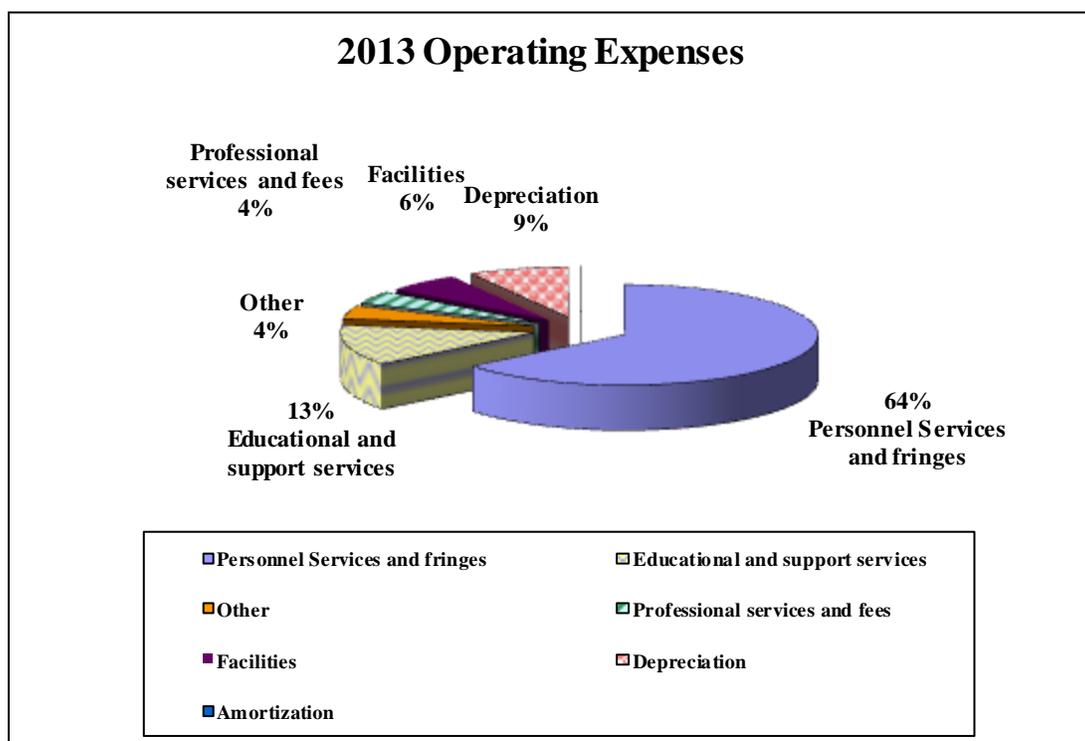
<b>OPERATING EXPENSES</b>					
<b>June 30, 2013, 2012 and 2011</b>					
<b>(\$ In millions)</b>					
				\$	%
	2013	2012	2011	Increase (Decrease) 12-13	Increase (Decrease) 12-13
<b>Operating Expenses</b>					
Personnel service and fringes	\$423.5	\$406.9	\$409.4	16.6	4.1
Professional services and contracts	26.6	25.9	26.0	.7	2.7
Educational and support services	85.6	86.6	89.4	(1.0)	(1.2)
Facilities	40.3	41.3	50.5	(1.0)	(2.4)
Other	27.6	29.2	26.2	(1.6)	(5.5)
Depreciation	54.9	51.7	51.4	3.2	6.2
Amortization	.1	.1	.1	-	-
<b>Total Operating Expenses</b>	<b>\$658.6</b>	<b>\$641.7</b>	<b>\$653.0</b>	<b>16.9</b>	<b>2.6</b>

In fiscal year ended June 30, 2013, total operating expenses less depreciation and amortization of \$603.6 million increased by \$13.7 million or 2.3% from the prior fiscal year. The increase was primarily due to an increase in personnel services and fringe benefits of \$16.6 million.

In fiscal year ended June 30, 2012, total operating expenses less depreciation and amortization of \$589.9 million decreased by \$11.6 million or 2.0% from the prior fiscal year. The decrease was primarily due to decreases in educational and support services of \$2.8 million and personnel service and fringes of \$2.5 million, and operation of facilities of \$9.2 million.

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

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**



Statement of Cash Flows

<b>STATEMENT OF CASH FLOWS</b>					
<b>June 30, 2013, 2012 and 2011</b>					
<b>(\$ In millions)</b>					
				\$	%
	2013	2012	2011	Increase (Decrease) 12-13	Increase (Decrease) 12-13
<b>Cash provided (used) by</b>					
Operating Activities	\$(175.4)	\$(173.6)	\$(173.4)	(1.8)	(1.0)
Non-Capital Financing Activities	222.5	224.2	236.2	(1.7)	(.8)
Capital & Related Financing Activities	(11.0)	(53.6)	(20.9)	42.6	79.5
Investing Activities	(29.0)	12.0	(24.2)	(41.0)	(341.7)
Net Increase in Cash	7.1	9.0	17.7	(1.9)	(21.1)
<b>Cash, beginning of year</b>	<b>302.2</b>	<b>293.2</b>	<b>275.5</b>	<b>9.0</b>	<b>3.1</b>
<b>Cash, end of year</b>	<b>\$309.3</b>	<b>\$302.2</b>	<b>\$293.2</b>	<b>7.1</b>	<b>2.3</b>

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013 and 2012**

---

The System's change in its net increase in cash and cash equivalents at June 30, 2013 of \$(1.9) million or 21.1% is primarily due to a decrease in state appropriations (noncapital) receipts of \$3.1 million, decrease in net cash provided by investing activities of \$41.0 million, offset by an increase in net cash used in capital and related financing activities of \$42.7 million.

**Enrollment**

The following table indicates historical enrollment of undergraduate and graduate students for the 2008-2009 through 2012-2013 academic years. Also indicated is full-time equivalent student enrollment.

Fall Headcount Enrollment and Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Full Time Equivalent	% Change
2013	29,308	(2.1%)	5,516	(9.5%)	34,824	(3.4%)	29,131	(2.9%)
2012	29,949	(.6%)	6,098	(6.3%)	36,047	(1.6%)	30,012	(1.3%)
2011	30,122	1.4%	6,507	(4.4%)	36,629	0.3%	30,407	1.1%
2010	29,694	1.5%	6,809	2.7%	36,503	1.7%	30,074	2.4%
2009	29,263		6,628		35,891		29,361	

**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 2009 through 2013.

Fall Semester First-Time Full-Time Student Admissions					
Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2013	18,979	66.7%	12,668	35.7%	4,521
2012	18,968	66.7%	12,647	35.5%	4,496
2011	20,173	63.4%	12,792	35.1%	4,492
2010	22,285	61.6%	13,728	42.4%	5,820
2009	22,406	62.8%	14,076	48.7%	6,856

**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 declining enrollment and the current fiscal condition of the state of Connecticut, which continues to lag

# Connecticut State University System

## Management's Discussion and Analysis (Unaudited)

### June 30, 2013 and 2012

---

behind the nation in its recovery from the recent recession and projects significant budget deficits in the next biennial budget cycle.

Full time equivalent enrollments for the fall 2013 are down and have been declining for the past 2 years. Total headcount enrollment declined by 3.4%, from 36,047 students to 34,824 students as compared to fall 2012. Fall full time undergraduate enrollment dropped by 2.1% from fall 2012, and full time graduate enrollment declined by more than 9.5% in the same period. All the universities experienced a decline with Southern CSU and Western CSU experiencing sharper declines in overall enrollment. In the absence of success in increasing 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 FY 2014. Despite an overall increase in undergraduate tuition and fee rates for FY 2014 of 5.1% and a comparable increase in graduate tuition and fee rates, tuition and fee revenues are projected to increase by approximately 3% due to the decrease in enrollment.

Although Connecticut lags the national recovery cycle post-recession, the state revenues have met projections and are expected to provide a modest surplus. State appropriations of \$294.8 million are 14% higher in 2013 than 2012. State appropriations for fiscal year 2014 are expected to be higher than 2013, in part due to increases in reimbursed fringe benefit costs. Fringe benefit costs in 2014 are expected to increase significantly due to both an increase in the overall rate brought about by, among other factors, higher health care costs, and a conversion by employees to a more expensive retirement program.

During fiscal year 2009 the Bond Commission approved funding for "CSUS 2020", a 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, subsequently \$95 million of annual funding has been received in FY 2012, FY 2013 and FY 2014. The system fully expects to receive the entire \$950 million in program funding over the course of the next five years.

In addition, the Board received approval to finance debt under two Connecticut Health and Educational Facilities Authority (CHEFA) bond issues totaling \$114.1 million. This financed 11 new projects under CHEFA. Most of these projects will be funded with university fee revenue balances and future revenues that remain strong, despite recent enrollment decline.

During fiscal year 2013, at Central Connecticut State University construction was completed on Phase III of General Fund HVAC Improvements to the Energy Center, Phase II window replacement to an administration building, a campus wide signage program and a new police station. Construction on a new academic/classroom building remained in process as well as design of a new residence life facility. In addition, design for a new food service facility, major renovation of two classroom buildings, and a residence life wireless IT project commenced. Projects completed at Eastern Connecticut State

# Connecticut State University System

## Management's Discussion and Analysis (Unaudited)

### June 30, 2013 and 2012

---

University included renovations to two separate administrative offices/departments and to a former private residence that houses separate administrative functions. Design of a new fine arts facility was completed. Design commenced on a residence life wireless IT project. Construction commenced on a new athletic support facility, new warehouse, High Rise residence life facility elevator upgrades and miscellaneous upgrades to another residence life hall. Construction projects completed at Southern Connecticut State University included interior renovations at the police station and a roof replacement to an administrative facility. Construction commenced on a new 1,200 vehicle parking garage, major renovations at the library, renovations at a food service facility and HVAC modifications at two classroom buildings. Designs were completed for a new science building and bathroom renovations at a residence life facility. Design commenced on a residence life wireless IT project. Projects completed at Western Connecticut State University included space modifications to a classroom building, athletic field turf replacement, and a gym floor replacement. Designs commenced on a residence life wireless IT project, renovations to a residence life facility and a new police station. Designs were completed for roof replacements of two buildings. Construction of a new fine and performing arts facility commenced.

The Board had previously 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. This project is now providing management with valuable insight in strategic enrollment and retention and best practices to promote student success.

Since its official formation in January, 2012, the Board of Regents has initiated a number of actions to employ best practices at the state universities. "Excel CT", the strategic plan for the state universities, community colleges, and Charter Oak State College, was launched in FY 2014, with the commitment to continue fleshing out the plan and focus on its implementation. Excel CT contemplates, among other things, continually increasing the number of Connecticut students attending our higher education institutions, as well as expanding the base of students typically attending and completing their educations. Additionally, Excel CT moves forward the integration of the state universities, community colleges, and Charter Oak State College by articulating the plan to increase efficiencies through integration of procurement functions, system-side IT architecture design and information management practices, and enhanced revenue models. Additional opportunities include a continuation of an aggressive policy to work toward more seamless transfer and articulation between community colleges and the CSU system as well as a system-wide effort at improving developmental education delivery, pursuant to Public Act 12-40.

Management is strongly committed to advocating for forward-thinking, long-term shifts in university and system operations. The primary focus of these strategies is to provide better services and experiences to students, but it is expected that some of these policies will result in some savings in administrative and operational costs. Strategies being examined include leveraging the use of current technology to streamline admissions, registrar, financial aid, and institutional research processes across all 17 member institutions. These options are being considered in conjunction with proposals to highlight the academic specialties of each state university through program expansion and quality increases.

**Connecticut State University System**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Notes 2 and 12)	\$ 178,566,392	\$ 179,586,917
Investments (Note 2)	56,065,089	27,810,288
Student receivables	183,602,491	177,317,348
Allowance-doubtful student receivables	(4,033,118)	(3,466,003)
Student receivables, net (Note 3)	<u>179,569,373</u>	<u>173,851,345</u>
Student loans receivable (Notes 3 and 4)	3,647,274	2,805,148
Grants receivable, net (Note 3)	3,177,806	2,431,699
Miscellaneous receivables, net (Note 3)	1,897,571	1,197,906
Due from the State of Connecticut (Notes 1 and 5)	34,523,169	32,764,441
Prepaid expenses and other current assets	3,578,007	3,543,671
Total current assets	<u>461,024,681</u>	<u>423,991,415</u>
Noncurrent assets		
Cash and cash equivalents (Notes 2 and 12)	130,706,071	122,559,183
Investments (Note 2)	28,154,778	26,826,621
Student loans receivable	11,940,836	12,187,685
Allowance-doubtful loan receivables	(3,068,056)	(2,934,572)
Loans receivable, net (Notes 3 and 4)	<u>8,872,780</u>	<u>9,253,113</u>
Other assets	155,234	160,394
Investment in plant	1,633,154,910	1,502,830,345
Accumulated depreciation	(674,477,711)	(626,013,593)
Investment in plant, net of accumulated depreciation (Note 6)	<u>958,677,199</u>	<u>876,816,752</u>
Total noncurrent assets	<u>1,126,566,062</u>	<u>1,035,616,063</u>
Total assets	<u>\$ 1,587,590,743</u>	<u>\$ 1,459,607,478</u>
<b>Deferred outflows of resources</b>		
Discount on bonds payable	\$ 2,990,721	\$ 1,457,582
Total deferred outflows of resources	<u>\$ 2,990,721</u>	<u>\$ 1,457,582</u>

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

**Connecticut State University System**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 11,181,962	\$ 11,770,751
Accrued salaries and benefits	40,320,268	37,959,908
Accrued compensated absences (Note 7)	2,632,091	2,168,837
Due to the State of Connecticut	3,610,062	3,382,103
Unearned tuition, fees and grant revenue (Note 9)	194,600,299	189,977,908
Bonds payable (Note 8)	18,052,030	15,434,402
Accrued bond interest payable	1,966,577	1,824,960
Capital lease obligation (Note 8)	-	5,874
Other liabilities	8,528,860	7,145,430
Depository accounts	3,638,250	3,501,047
Total current liabilities	<u>284,530,399</u>	<u>273,171,220</u>
Noncurrent liabilities		
Accrued compensated absences (Note 7)	36,049,361	34,172,144
Bonds payable (Note 8)	263,841,283	248,609,669
Federal loan program advances	9,777,097	9,777,097
Delayed compensation	190,662	190,362
Other liabilities (Note 7)	1,889,946	4,130,879
Total noncurrent liabilities	<u>311,748,349</u>	<u>296,880,151</u>
Total liabilities	<u>\$ 596,278,748</u>	<u>\$ 570,051,371</u>
<b>Deferred inflows of resources</b>		
Premium on bonds payable (Note 8)	\$ 8,761,549	\$ 2,691,397
Total deferred inflows of resources	<u>\$ 8,761,549</u>	<u>\$ 2,691,397</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	\$ 822,230,356	\$ 711,410,396
Restricted		
Nonexpendable	311,710	400,569
Expendable	36,415,648	50,403,929
Unrestricted	126,583,453	126,107,398
Total net position	<u>\$ 985,541,167</u>	<u>\$ 888,322,292</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, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 4,466,301	\$ 5,261,436
Investments (Note 2)	84,801,765	73,526,865
Contributions and other receivables (Note 3)	4,928,844	5,168,348
Prepaid expenses and other assets	1,068,717	989,514
Investment in plant, net (Note 6)	6,013,773	5,598,727
Total assets	<u>\$ 101,279,400</u>	<u>\$ 90,544,890</u>
<b>Liabilities</b>		
Accounts payable	\$ 100,044	\$ 169,272
Custodial obligation payable	39,375	39,350
Other liabilities	1,215,509	714,622
Long-term debt (Note 8)	174,097	-
	<u>1,529,025</u>	<u>923,244</u>
<b>Net assets</b>		
Permanently restricted	67,848,240	65,486,519
Temporarily restricted	30,334,554	22,982,335
Unrestricted	1,567,581	1,152,792
Total net assets	<u>99,750,375</u>	<u>89,621,646</u>
Total liabilities and net assets	<u>\$ 101,279,400</u>	<u>\$ 90,544,890</u>

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

**Connecticut State University System**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2013 and 2012**

	2013	2012
Operating revenues		
Tuition and fees		
Tuition and fees	\$ 293,365,102	\$ 290,506,402
Less		
Scholarships allowance	24,997,055	24,451,191
Waivers	11,797,739	11,262,138
Tuition and fees, net of scholarship allowances and waivers	<u>256,570,308</u>	<u>254,793,073</u>
Federal grants and contracts	43,540,258	44,550,863
State and local grants and contracts	11,836,115	14,419,323
Nongovernment grants and contracts	3,067,340	3,092,044
Indirect cost recoveries	664,761	977,655
Auxiliary revenues	91,472,111	90,559,061
Other operating revenues	16,998,768	17,096,195
Total operating revenues	<u>424,149,661</u>	<u>425,488,214</u>
Operating expenses (Note 13)		
Personnel service and fringe benefits	423,529,337	406,853,351
Professional services and fees	26,642,220	25,870,585
Educational services and support	85,585,975	86,620,847
Travel expenses	6,643,602	6,351,076
Operation of facilities (Note 1)	40,313,947	41,336,484
Other operating supplies and expenses	20,945,243	22,939,328
Depreciation expense	54,895,678	51,676,986
Amortization expense	80,392	87,292
Total operating expenses	<u>658,636,394</u>	<u>641,735,949</u>
Operating loss	<u>(234,486,733)</u>	<u>(216,247,735)</u>
Nonoperating revenues (expenses)		
State appropriations	222,070,727	209,201,643
Gifts	2,087,634	1,601,300
Investment income	1,138,452	1,106,741
Interest expense (Note 1)	(7,780,599)	(10,179,046)
State financed plant facilities (Note 1)	39,938,994	2,855,528
Other nonoperating revenues	2,173,382	1,973,314
Net nonoperating revenues	<u>259,628,590</u>	<u>206,559,480</u>
Income (loss) before other changes in net position	25,141,857	(9,688,255)
Other changes in net assets		
State appropriations restricted for capital purposes	72,760,956	49,348,227
Gain (loss) on disposal of capital assets (Note 1)	(683,938)	(946,312)
Net other changes in net position	<u>72,077,018</u>	<u>48,401,915</u>
Net increase in net position	97,218,875	38,713,660
Net position		
Net position - beginning of year	<u>888,322,292</u>	<u>849,608,632</u>
Net position - end of year	<u>\$ 985,541,167</u>	<u>\$ 888,322,292</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, 2013 and 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013	2012
<b>Revenues, gains and other support</b>					
Contributions	\$ 2,298,316	\$ 3,707,484	\$ 2,333,102	\$ 8,338,902	\$ 11,474,120
Program income	30,383	525,901	-	556,284	507,383
Investment income	190,540	2,469,202	5,853	2,665,595	1,612,420
Gain (loss) on investments	123,230	2,749,951	9,866	2,883,047	(1,097,770)
Other income	235,446	3,885,942	(900)	4,120,488	551,829
Net assets released from restrictions	5,168,204	(5,162,504)	(5,700)	-	-
Total revenues, gains and other support	<u>8,046,119</u>	<u>8,175,976</u>	<u>2,342,221</u>	<u>18,564,316</u>	<u>13,047,982</u>
<b>Operating expenses</b>					
Scholarships and awards	1,066,004	-	-	1,066,004	774,907
University support	3,926,809	-	-	3,926,809	4,025,657
Auxiliary services	1,252,102	-	-	1,252,102	650,449
Academic enrichment	422,045	-	-	422,045	900,929
Fundraising	957,974	-	-	957,974	815,893
Management and general	810,653	-	-	810,653	315,019
Total operating expenses	<u>8,435,587</u>	<u>-</u>	<u>-</u>	<u>8,435,587</u>	<u>7,482,854</u>
Transfers between funds	808,286	(829,786)	21,500	-	-
Changes in net assets	418,818	7,346,190	2,363,721	10,128,729	5,565,128
Net assets				-	
Beginning of year	1,148,764	22,988,364	65,484,518	89,621,646	84,056,518
End of year	<u>\$ 1,567,582</u>	<u>\$ 30,334,554</u>	<u>\$ 67,848,239</u>	<u>\$ 99,750,375</u>	<u>\$ 89,621,646</u>

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

**Connecticut State University System**  
**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	2013	2012
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 232,207,668	\$ 231,245,603
Grants and contracts	57,606,732	61,563,273
Auxiliary revenues	79,061,738	87,817,824
Other operating revenues	26,912,686	19,642,622
Payments to employees for salaries and benefits	(420,549,224)	(418,208,587)
Payments to suppliers	(6,412,657)	(6,060,960)
Professional services and fees	(26,667,356)	(26,121,038)
Educational services and support	(85,834,017)	(87,091,759)
Travel expenses	(6,616,631)	(6,351,897)
Operation of facilities	(35,410,584)	(40,557,439)
Other operating supplies and expenses	(15,486,938)	(15,088,726)
University fee receipts	25,740,256	25,634,145
Net cash used in operating activities	<u>(175,448,327)</u>	<u>(173,576,939)</u>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	217,440,077	220,546,184
Gifts for other than capital purposes	2,846,594	1,601,299
Nonoperating revenue other	2,201,985	2,008,269
Net cash provided by noncapital financing activities	<u>222,488,656</u>	<u>224,155,752</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	40,703,114	34,791,598
Purchases of investments	(69,992,730)	(23,893,086)
Interest and dividends received on investments	339,506	1,132,470
Net cash provided by (used in) investing activities	<u>(28,950,110)</u>	<u>12,030,982</u>
<b>Cash flows from capital and related financing activities</b>		
Cash paid for capital assets	(93,893,517)	(73,260,502)
State capital appropriations received	75,672,858	52,240,001
Proceeds of new bond issuance	34,060,000	49,040,000
Repayments of capital debt and leases	(16,210,758)	(69,525,892)
Interest paid on capital debt and leases	(10,299,777)	(11,571,946)
Payments on bond issuance costs	(293,342)	(586,840)
Proceeds from the sale of equipment	680	15,800
Net cash used in capital and related financing activities	<u>(10,963,856)</u>	<u>(53,649,379)</u>
Net increase in cash and cash equivalents	7,126,363	8,960,416
Cash and cash equivalents, beginning of year	<u>302,146,100</u>	<u>293,185,684</u>
Cash and cash equivalents, end of year	<u>\$ 309,272,463</u>	<u>\$ 302,146,100</u>

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

**Connecticut State University System**  
**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	2013	2012
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (234,486,733)	\$ (216,247,735)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	54,895,678	51,676,986
Bad debt write-offs	35,070	32
Amortization	80,392	87,292
Changes in assets and liabilities:		
Receivables	(7,660,662)	(4,412,916)
Prepaid expenses and other	(272,295)	(272,797)
Accounts payable	(253,626)	315,549
Accrued salaries	2,360,361	(13,540,270)
Other liabilities	3,283,745	2,690,035
Due to/from the State of Connecticut	227,960	121,021
Unearned tuition, fees and grant revenues	4,622,392	4,919,518
Delayed compensation	300	305
Deposit accounts	200,696	(214,233)
Accrued bond interest payable	141,617	(74,940)
Accrued compensated absences	1,376,778	1,375,214
Net cash used in operating activities	<u>\$ (175,448,327)</u>	<u>\$ (173,576,939)</u>
<b>Noncash financing activity</b>		
Fixed assets included in accounts payable	\$ 3,893,813	\$ 4,458,076
State financed plant facilities	\$ 39,938,994	\$ 2,855,528
<b>Reconciliation of cash and cash equivalents to the combined statements of net assets</b>		
Cash and cash equivalents classified as current assets	\$ 178,566,392	\$ 179,586,917
Cash and cash equivalents classified as noncurrent assets	<u>130,706,071</u>	<u>122,559,183</u>
	<u>\$ 309,272,463</u>	<u>\$ 302,146,100</u>

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

# Connecticut State University System

## Notes to Financial Statements

### June 30, 2013 and 2012

---

#### 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.

##### **New Accounting Pronouncements Implemented**

CSUS implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective June 30, 2013. CSUS also implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, which required the CSUS to report certain previously reported assets as deferred outflows of resources, and previously reported liabilities as deferred inflows of resources, and previously reported net assets as net position, effective June 30, 2013. The implementation of GASB 65 resulted in the write-off of bond issuance costs with the effect of reducing beginning net position by \$981,070 for the year ended June 30, 2012.

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

The deferred outflows of resources are comprised of discount on bonds payable and will be recognized as expense and decrease unrestricted net position over the remaining years of the bond agreements. Deferred outflows by bond maturity date are as follows:

<b>Maturity in Fiscal Year</b>	<b>2013</b>	<b>2012</b>
2016	\$ 16,854	\$ 37,835
2020	162,037	201,590
2030	533,200	580,196
2033	381,073	-
2034	1,701,722	423,419
2036	195,835	214,542
	<u>\$ 2,990,721</u>	<u>\$ 1,457,582</u>

The deferred inflows of resources are comprised of premiums on bonds payable and will be recognized as revenue and increase unrestricted net position over the remaining years of the bond agreements. Deferred inflows by bond maturity dates are as follows:

<b>Maturity in Fiscal Year</b>	<b>2013</b>	<b>2012</b>
2015	\$ 18,435	\$ 42,183
2016	4,366	9,800
2020	1,332,946	1,617,836
2030	2,015,779	2,193,449
2033	5,166,250	-
2034	-	(1,416,271)
2036	223,773	244,400
	<u>\$ 8,761,549</u>	<u>\$ 2,691,397</u>

**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*

# Connecticut State University System

## Notes to Financial Statements

### June 30, 2013 and 2012

---

*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 position, the statement of revenues, expenses, and changes in net position and the statement of cash flows.

- The statement of net position presents information on all of CSUS's assets, liabilities, deferred outflows and inflows, and net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of CSUS is improving or deteriorating.
- The statement of revenues, expenses and changes in net position presents information showing how CSUS's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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 position 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 is recorded as non-operating 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

# Connecticut State University System

## Notes to Financial Statements

### June 30, 2013 and 2012

---

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.

#### **Net Position**

Resources are classified for reporting purposes into the following four net position 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 position 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 position 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 position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position 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 position 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 position. 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, 2013 and 2012. 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, 2013 and 2012. Cash and cash equivalents and investments presented as short-term in the statement of net position include balances with a maturity of one year or less from June 30, 2013 and 2012. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2013 and 2012 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, 2013 and 2012. Long-term liabilities include balances that are expected to be paid after one year from June 30, 2013 and 2012.

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

**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, 2013 and 2012.

**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 position.

**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 \$913,456 and \$842,325 at June 30, 2013 and 2012, 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 position.

**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

# Connecticut State University System

## Notes to Financial Statements

### June 30, 2013 and 2012

---

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 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 DCS to CSUS. Amounts recognized for such projects were \$39.9 million and \$2.9 million for the years ended June 30, 2013 and 2012, 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 DCS, revenue and construction in progress are recorded as project expenses are incurred. In regards to CSUS 2020 projects, DCS administers 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 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.

#### **Interest Capitalization**

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of \$10.4 million and \$10.6 million for the fiscal years ended June 30, 2013 and 2012, respectively. Interest capitalized for the fiscal years ended June 30, 2013 and 2012, totaled \$2.9 million and \$1.5 million, respectively. The cumulative capitalized interest was \$14.2 million and \$11.2 million as of June 30, 2013 and 2012, respectively. The capitalized interest is being amortized over 35 years. Amortization of capitalized interest for the years ended June 30, 2013 and 2012 was \$.4 million and \$.3 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 \$21.5 million and \$19.8 million as of June 30, 2013 and 2012, 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, 2013 and 2012, respectively.

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

#### **Unearned Tuition, Fees and Grant Revenues**

Unearned tuition, fees and grant revenues consist primarily of tuition and fees that have been billed or collected at June 30, 2013 and 2012, but applicable to the 2013 or 2012 summer sessions held

# Connecticut State University System

## Notes to Financial Statements

### June 30, 2013 and 2012

---

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, 2013 and 2012 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, 2013, through December 17, 2013, the date the financial statements were issued. In October 2013, CSUS issued Revenue Bonds through the State of Connecticut Health and Education Facilities Authority totaling \$80.3 million.

## **2. Cash, Cash Equivalents and Investments**

Cash and cash equivalents includes approximately \$78.8 million and \$71.0 million at June 30, 2013 and 2012, respectively, invested in the State of Connecticut Treasurer's Short-Term Investment Fund (STIF), a combined investment pool of high quality, short-term money market instruments. CSUS may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CSUS's daily cash flow requirements.

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

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rates at June 30, 2013 and 2012 were .18% and .12%, respectively. CSUS operating funds held by the State that participated in the aforementioned program were \$219.6 million and \$216.6 million at June 30, 2013 and 2012, respectively.

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

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

	2013		2012	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 309,272,463	\$ 309,272,463	\$ 302,146,100	\$ 302,146,100
U.S. Mutual Funds- Governmental	69,305,122	69,305,122	39,523,914	39,523,914
Guaranteed Investment Contracts	14,914,745	14,914,745	15,112,995	15,112,995
	<u>\$ 393,492,330</u>	<u>\$ 393,492,330</u>	<u>\$ 356,783,009</u>	<u>\$ 356,783,009</u>

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

	2013		2012	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 4,466,301	\$ 4,466,301	\$ 5,261,436	\$ 5,261,436
Investments	<u>75,831,537</u>	<u>84,801,765</u>	<u>70,043,305</u>	<u>73,526,865</u>
	<u>\$ 80,297,838</u>	<u>\$ 89,268,066</u>	<u>\$ 75,304,741</u>	<u>\$ 78,788,301</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, 2013.

*Custodial Credit Risk* – At June 30, 2013 and 2012, the carrying amount of CSUS’s bank deposits was \$1.5 million and \$1.3 million, respectively, as compared to bank balances of \$3.1 million and \$3.5 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, 2013 and 2012. The remaining balance of \$2.3 million at June 30, 2013 is uninsured and uncollateralized and therefore subject to custodial credit risk. The remaining balance of \$2.7 million at June 30, 2012 was 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 provided 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. 78% of

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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, 2013 compared to 84% at the end of fiscal year 2012.

*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:

<b>2013</b>					
Investment Maturities (in years)					
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	\$ 69,305,122	\$ 69,305,122	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	14,914,745	-	1	5,709,578	9,205,166
	<u>\$ 84,219,867</u>	<u>\$ 69,305,122</u>	<u>\$ 1</u>	<u>\$ 5,709,578</u>	<u>\$ 9,205,166</u>

<b>2012</b>					
Investment Maturities (in years)					
Debt Securities	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>

**3. Receivables**

Receivables consisted of the following at June 30:

	<b>2013</b>	<b>2012</b>
Student accounts receivable	\$ 183,602,491	\$ 177,317,348
Student loans receivable	15,588,110	14,992,833
Grants receivable	3,292,856	2,571,307
Miscellaneous receivables	1,897,571	1,197,906
	<u>204,381,028</u>	<u>196,079,394</u>
Less allowance for doubtful accounts	<u>(7,216,224)</u>	<u>(6,540,183)</u>
Net accounts receivable	<u>\$ 197,164,804</u>	<u>\$ 189,539,211</u>

Student accounts receivable above include \$172,163,088 and \$167,196,222 representing amounts included in unearned tuition, fees and grant revenue at June 30, 2013 and 2012, respectively. Grants receivable is shown gross of an allowance for doubtful accounts of \$115,050 and \$139,608 at June 30, 2013 and 2012, respectively.

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

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

	<b>2013</b>	<b>2012</b>
Contributions and other receivables	<u>\$ 4,928,844</u>	<u>\$ 5,168,348</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, 2013 and 2012. 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, 2013 and 2012, the allowance for uncollectible loans was \$3,068,056 and \$2,934,572, respectively.

**5. Due from the State of Connecticut**

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

	<b>2013</b>	<b>2012</b>
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	\$ 21,606,001	\$ 19,881,623
State appropriations for capital projects	<u>12,917,168</u>	<u>12,882,818</u>
	<u>\$ 34,523,169</u>	<u>\$ 32,764,441</u>

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

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**6. Investment in Plant**

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

	Balance June 30, 2012	Year ended June 30, 2013		Balance June 30, 2013
		Additions	Retirements and Transfers	
<b>Capital assets not being depreciated:</b>				
Land	\$ 19,829,081	\$ -	\$ (147,556)	\$ 19,681,525
Capitalized collections	8,042,451	88,288	-	8,130,739
Construction in progress	57,485,458	59,993,487	(18,735,172)	98,743,773
Total capital assets not being depreciated	<u>\$ 85,356,990</u>	<u>\$ 60,081,775</u>	<u>\$ (18,882,728)</u>	<u>\$ 126,556,037</u>
<b>Other capital assets:</b>				
Land improvements	\$ 90,104,693	\$ 6,625,456	\$ -	\$ 96,730,149
Buildings and building improvements	1,133,622,063	75,895,567	(271,146)	1,209,246,484
Furniture, fixtures and equipment	137,372,636	11,076,874	(6,391,667)	142,057,843
Library materials	56,373,963	2,843,284	(652,850)	58,564,397
Total other capital assets	<u>1,417,473,355</u>	<u>96,441,181</u>	<u>(7,315,663)</u>	<u>1,506,598,873</u>
Less accumulated depreciation for:				
Land improvements	(46,544,550)	(4,147,281)	(2,438)	(50,694,269)
Buildings and building improvements	(455,555,700)	(34,955,941)	3,871	(490,507,770)
Furniture, fixtures and equipment	(90,997,033)	(12,263,271)	5,777,277	(97,483,027)
Library materials	(32,916,310)	(3,529,185)	652,850	(35,792,645)
Total accumulated depreciation	<u>(626,013,593)</u>	<u>(54,895,678)</u>	<u>6,431,560</u>	<u>(674,477,711)</u>
Other capital assets, net	<u>\$ 791,459,762</u>	<u>\$ 41,545,503</u>	<u>\$ (884,103)</u>	<u>\$ 832,121,162</u>
<b>Capital asset summary:</b>				
Capital assets not being depreciated	\$ 85,356,990	\$ 60,081,775	\$ (18,882,728)	\$ 126,556,037
Other capital assets, at cost	1,417,473,355	96,441,181	(7,315,663)	1,506,598,873
Total cost of capital assets	1,502,830,345	156,522,956	(26,198,391)	1,633,154,910
Less accumulated depreciation	<u>(626,013,593)</u>	<u>(54,895,678)</u>	<u>6,431,560</u>	<u>(674,477,711)</u>
Capital assets, net	<u>\$ 876,816,752</u>	<u>\$ 101,627,278</u>	<u>\$ (19,766,831)</u>	<u>\$ 958,677,199</u>
<b>Component Units</b>				
Total cost of capital assets	\$ 6,490,374	\$ 583,461	\$ (31,928)	\$ 7,041,907
Less accumulated depreciation	<u>(891,647)</u>	<u>(151,920)</u>	<u>15,433</u>	<u>(1,028,134)</u>
Capital assets, net	<u>\$ 5,598,727</u>	<u>\$ 431,541</u>	<u>\$ (16,495)</u>	<u>\$ 6,013,773</u>

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

	Year ended June 30, 2012			Balance June 30, 2012
	Balance June 30, 2011	Additions	Retirements and Transfers	
<b>Capital assets not being depreciated:</b>				
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
<b>Total capital assets not being depreciated</b>	<b>\$ 50,783,510</b>	<b>\$ 52,911,483</b>	<b>\$ (18,338,003)</b>	<b>\$ 85,356,990</b>
<b>Other capital assets:</b>				
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
<b>Total other capital assets</b>	<b>1,390,110,817</b>	<b>42,265,228</b>	<b>(14,902,690)</b>	<b>1,417,473,355</b>
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)
<b>Total accumulated depreciation</b>	<b>(587,962,680)</b>	<b>(51,676,986)</b>	<b>13,626,073</b>	<b>(626,013,593)</b>
<b>Other capital assets, net</b>	<b>\$ 802,148,137</b>	<b>\$ (9,411,758)</b>	<b>\$ (1,276,617)</b>	<b>\$ 791,459,762</b>
<b>Capital asset summary:</b>				
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
<b>Total cost of capital assets</b>	<b>1,440,894,327</b>	<b>95,176,711</b>	<b>(33,240,693)</b>	<b>1,502,830,345</b>
<b>Less accumulated depreciation</b>	<b>(587,962,680)</b>	<b>(51,676,986)</b>	<b>13,626,073</b>	<b>(626,013,593)</b>
<b>Capital assets, net</b>	<b>\$ 852,931,647</b>	<b>\$ 43,499,725</b>	<b>\$ (19,614,620)</b>	<b>\$ 876,816,752</b>
<b>Component Units</b>				
Total cost of capital assets	\$ 5,010,237	\$ 1,797,438	\$ (317,301)	\$ 6,490,374
Less accumulated depreciation	(753,257)	(138,390)	-	(891,647)
<b>Capital assets, net</b>	<b>\$ 4,256,980</b>	<b>\$ 1,659,048</b>	<b>\$ (317,301)</b>	<b>\$ 5,598,727</b>

**7. Accrued Compensated Absences**

Accrued compensated absences as of June 30, include:

	2013	2012
Accrued vacation	\$ 21,809,050	\$ 21,655,343
Accrued sick leave	7,417,588	7,296,492
Other accrued fringe benefits	9,454,814	7,389,146
	<u>38,681,452</u>	<u>36,340,981</u>
Less: current portion	2,632,091	2,168,837
<b>Noncurrent portion</b>	<b>\$ 36,049,361</b>	<b>\$ 34,172,144</b>

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

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

<b>Balance as of June 30, 2011</b>	\$ 34,114,625
Additions in 2012	4,616,288
Retirements in 2012	<u>(2,389,932)</u>
<b>Balance as of June 30, 2012</b>	36,340,981
Additions in 2013	4,324,815
Retirements in 2013	<u>(1,984,344)</u>
<b>Balance as of June 30, 2013</b>	<u>\$ 38,681,452</u>

These accruals represent estimated amounts earned by all eligible employees through June 30, 2013 and 2012. 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 \$4.0 million and \$6.2 million at June 30, 2013 and June 30, 2012, respectively. Approximately \$1.9 million and \$4.1 million of the RIP liability was noncurrent at June 30, 2013 and June 30, 2012, respectively, being reported as noncurrent other liabilities. At both June 30, 2013 and June 30, 2012, approximately \$2.1 million was current and that portion is recorded as current other liabilities on the statements of net position.

**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 position. The outstanding amount of the refunded bonds totaled approximately \$.2 million at June 30, 2009. The refunding of the bonds resulted in a difference

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

between the reacquisition price and the net carrying amount of the old debt of approximately \$30,000. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the refunding, 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 position. 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:

	<b>Type</b>	<b>2013</b>	<b>2012</b>
June 2001	Refunded	\$1,231,853	\$1,648,080
November 2001	Refunded	415,355	833,324
August 2002	Refunded	-	776,355
April 2005	Refunded	422,547	422,547
December 2007	Refunded	1,468,558	2,608,765
		<u>\$ 3,538,313</u>	<u>\$ 6,289,071</u>

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2014	1,572,030	190,133
2015	1,141,281	137,577
2016	402,455	32,210
2017	422,547	22,586
	<u>\$ 3,538,313</u>	<u>\$ 382,506</u>

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.

# Connecticut State University System

## Notes to Financial Statements

### June 30, 2013 and 2012

---

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.

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.

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.

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.

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.

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 Trustee on April 1 and October 1 of each year.

On January 10, 2013, CHEFA issued \$34.1 million of Series M Revenue Bonds on behalf of CSUS. The Bonds mature from 2014 to 2033 with interest rates varying from three percent (3.0%) to five percent (5.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

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 position. 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 \$47.7 million and \$51.5 million at June 30, 2013 and 2012, respectively. 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

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

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 position. 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, 2013 and 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 \$.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 position. 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, 2013 and 2012.

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 position. 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, 2013 and 2012.

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 position. 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 \$16.6 million and \$25.7 million at June 30, 2013 and 2012, respectively.

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

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

	<b>2013</b>	<b>2012</b>
CHEFA Revenue Bonds Series F	\$15,960,000	\$24,735,000
CHEFA Revenue Bonds Series G	30,425,000	32,200,000
CHEFA Revenue Bonds Series H	48,300,000	48,310,000
CHEFA Revenue Bonds Series I	62,335,000	62,425,000
CHEFA Revenue Bonds Series J	26,010,000	27,035,000
CHEFA Revenue Bonds Series K	14,005,000	14,010,000
CHEFA Revenue Bond Series L	47,260,000	49,040,000
CHEFA Revenue Bond Series M	34,060,000	-
	<u>\$ 278,355,000</u>	<u>\$ 257,755,000</u>

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

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

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>
2014	16,480,000	11,463,709
2015	17,025,000	10,739,480
2016	17,320,000	9,966,610
2017	15,525,000	9,225,425
2018	15,530,000	8,520,956
2019-2023	72,805,000	32,813,175
2024-2028	55,610,000	18,596,206
2029-2033	57,300,000	7,609,519
2034-2036	10,760,000	302,975
	<u>\$ 278,355,000</u>	<u>\$ 109,238,055</u>

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

Long-term liability and deferred inflows of resource activity for the years ended June 30, 2013 and 2012 was as follows:

	<b>Year Ended June 30, 2013</b>			<b>Balance June 30, 2013</b>
	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	
Bonds payable	\$ 264,044,071	\$ 34,060,000	\$ (16,210,758)	\$ 281,893,313
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	2,691,397	6,612,312	(542,160)	8,761,549
Total bonds payable	266,735,468	40,672,312	(16,752,918)	290,654,862
Capital lease obligations	5,874	-	(5,874)	-
Delayed compensation	190,362	300	-	190,662
Total	<u>\$ 266,931,704</u>	<u>\$ 40,672,612</u>	<u>\$ (16,758,792)</u>	<u>\$ 290,845,524</u>

	<b>Year Ended June 30, 2012</b>			<b>Balance June 30, 2012</b>
	<b>Balance June 30, 2011</b>	<b>Additions</b>	<b>Retirements</b>	
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
Delayed 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>

Notes Payable for the Component Units, consists of one secured note with an original loan balance of \$199,045, bearing an assumed interest rate at 4.25% payable in monthly installments of \$3,672 including principal and interest with a maturity date of December 2017.

**9. Unearned Tuition, Fees and Grant Revenue**

Unearned tuition, fees and grant revenue consists of the following at June 30, 2013 and 2012:

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

	2013	2012
Unearned tuition and fees	\$ 192,448,424	\$ 187,468,566
Grants and contracts	1,991,172	1,709,445
Other	160,703	799,897
	<u>\$ 194,600,299</u>	<u>\$ 189,977,908</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.

Tier III or the Hybrid Plan are the 2 primary SERS plan options available to CSUS employees first hired into state service on or after July 1, 2011 (some employees are eligible to elect the Teachers Retirement System – TRS). Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, Tier III, or TRS depending on several factors. As of June 30, 2013, approximately thirty-five percent (35%) of the CSUS workforce was covered under the Tier II or Tier IIA Plans. CSUS makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut. The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the State of Connecticut and the State Employee Bargaining Agent Coalition (SEBAC), provides a new retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a five percent employer match and four percent interest in lieu of a defined benefit.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is managed by ING. Under this arrangement, plan participants contribute 5% of their pay and the State contributes 8% to individual participants' investment accounts managed by ING. CSUS contributes a fringe benefit charge to the State which includes the 8% employer contribution and an administrative charge. The aforementioned 2011 SEBAC agreement provides CSUS employees who were both hired before July 1, 2011 and participating in ARP with a one-time irrevocable option through a date not yet determined of electing to transfer their membership from ARP to the Hybrid Plan and purchasing credit in the Hybrid Plan for their prior services at full actuarial cost.

**Funding Policy**

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

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

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 and Hybrid Plan members are required to contribute 5% of their annual salary. Tier IIA Plan and Tier III 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, 2013 and 2012. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances at June 30, 2013 and 2012 were as follows:

	<b>2013</b>	<b>2012</b>
System Office	\$ 740,043	\$ 1,301,602
Central Connecticut State University	6,170,190	6,672,334
Eastern Connecticut State University	4,774,553	1,590,516
Southern Connecticut State University	2,284,110	3,383,531
Western Connecticut State University	2,409,690	4,626,805
	<u>\$ 16,378,586</u>	<u>\$ 17,574,788</u>

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

---

**12. Intra-University and Related Party Activities**

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

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

	<b>2013</b>	<b>2012</b>
Cash balances held with the State of Connecticut on behalf of the universities (excluding STIF)	\$ 228,967,508	\$ 229,778,447
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	<u>78,764,003</u>	<u>71,025,660</u>
	<u>\$ 307,731,511</u>	<u>\$ 300,804,107</u>

**Connecticut State University System**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**13. Natural Classification with Functional Classification**

The operating expenses by functional classification were as follows:

	Year ended June 30, 2013								
	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	\$ 34,992,823	\$ 1,243,843	\$ 2,856,598	\$ 1,432,034	\$ 639,567	\$ 2,223,987	\$ -	\$ -	\$ 43,388,852
Auxiliary enterprises	14,483,104	11,812,754	23,111,988	55,845	9,552,844	1,883,526	-	-	60,900,061
Institution support	70,992,701	6,247,363	537,518	621,310	3,415,476	8,266,694	-	-	90,081,062
Instruction	206,681,047	1,358,516	434,117	737,185	615,977	2,105,488	-	-	211,932,330
Physical plant	34,074,807	1,424,559	47,414	23,615	24,433,629	1,805,211	54,894,695	80,392	116,784,322
Public service	7,458,947	1,426,664	673,406	1,333,491	423,437	542,632	-	-	11,858,577
Research	3,283,461	804,784	370,602	421,690	58,265	514,835	-	-	5,453,637
Scholarships, loans and refunds	752,666	223,387	55,910,812	15,435	-	113,330	-	-	57,015,630
Student services	50,809,781	2,100,350	1,643,520	2,002,997	1,174,752	3,489,540	983	-	61,221,923
<b>Total expenses</b>	<b>\$ 423,529,337</b>	<b>\$ 26,642,220</b>	<b>\$ 85,585,975</b>	<b>\$ 6,643,602</b>	<b>\$ 40,313,947</b>	<b>\$ 20,945,243</b>	<b>\$ 54,895,678</b>	<b>\$ 80,392</b>	<b>\$ 658,636,394</b>

	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
<b>Total expenses</b>	<b>\$ 406,853,351</b>	<b>\$ 25,870,585</b>	<b>\$ 86,620,847</b>	<b>\$ 6,351,076</b>	<b>\$ 41,336,484</b>	<b>\$ 22,939,328</b>	<b>\$ 51,676,986</b>	<b>\$ 87,292</b>	<b>\$ 641,735,949</b>

**Connecticut State University System**  
**Supplemental Financial Information**  
**June 30, 2013 and 2012**

---

	<b>Page</b>
Combining Statements of Net Position	S-2
Combining Statements of Revenues, Expenses and Changes in Net Position	S-4
Combining Statements of Cash Flows	S-6

**Connecticut State University System**  
**Combining Statements of Net Position**  
**June 30, 2013 with Comparative Totals as of June 30, 2012**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2013	2012
<b>Assets</b>								
<b>Current assets:</b>								
Cash and cash equivalents	\$ 53,036,820	\$ 19,970,573	\$ 54,896,648	\$ 30,541,951	\$ 20,120,400	\$ -	178,566,392	\$ 179,586,917
Investments					56,065,089	-	56,065,089	27,810,288
Student receivables	52,259,707	44,304,168	55,562,493	31,476,123	-	-	183,602,491	177,317,348
Allowance-doubtful student receivables	(617,058)	(1,732,421)	(919,538)	(764,101)	-	-	(4,033,118)	(3,466,003)
Student receivables, net	51,642,649	42,571,747	54,642,955	30,712,022	-	-	179,569,373	173,851,345
Student loans receivable	620,438	305,695	2,520,327	200,814	-	-	3,647,274	2,805,148
Grant receivables, net	1,675,005	239,250	1,031,793	231,758	-	-	3,177,806	2,431,699
Miscellaneous receivables, net	996,671	655,317	65,500	18,417	161,666	-	1,897,571	1,197,906
Due from the State of Connecticut	10,518,882	8,471,210	8,735,133	6,163,226	634,718	-	34,523,169	32,764,441
Due from SO and Universities	-	11,914	-	-	231,587	(243,501)	-	-
Prepaid expenses and other current assets	1,891,838	233,985	515,114	181,679	755,391	-	3,578,007	3,543,671
Total current assets	120,382,303	72,459,691	122,407,470	68,049,867	77,968,851	(243,501)	461,024,681	423,991,415
<b>Noncurrent assets:</b>								
Cash and cash equivalents	25,009,668	4,034,800	23,995,180	6,601,589	71,064,834	-	130,706,071	122,559,183
Investments	-	-	-	-	28,154,778	-	28,154,778	26,826,621
Due from SO and Universities	3,274,720	-	-	-	-	(3,274,720)	-	-
Student loans receivable	3,711,895	1,463,450	4,889,483	1,876,008	-	-	11,940,836	12,187,685
Allowance-doubtful loan receivables	(810,080)	(414,308)	(1,371,927)	(471,741)	-	-	(3,068,056)	(2,934,572)
Loans receivable, net	2,901,815	1,049,142	3,517,556	1,404,267	-	-	8,872,780	9,253,113
Other assets	-	-	42,111	113,123	-	-	155,234	160,394
Investment in plant	409,256,255	381,634,027	472,419,158	329,736,190	28,213,827	11,895,453	1,633,154,910	1,502,830,345
Accumulated depreciation	(187,680,872)	(139,682,537)	(200,016,013)	(124,820,255)	(22,278,034)	-	(674,477,711)	(626,013,593)
Investment in plant, net of accumulated depreciation	221,575,383	241,951,490	272,403,145	204,915,935	5,935,793	11,895,453	958,677,199	876,816,752
Total noncurrent assets	252,761,586	247,035,432	299,957,992	213,034,914	105,155,405	8,620,733	1,126,566,062	1,035,616,063
Total assets	\$ 373,143,889	\$ 319,495,123	\$ 422,365,462	\$ 281,084,781	\$ 183,124,256	\$ 8,377,232	\$ 1,587,590,743	\$ 1,459,607,478
<b>Deferred outflows of resources:</b>								
Dixcount on bonds payable	\$ -	\$ -	\$ -	\$ -	\$ 2,990,721	\$ -	\$ 2,990,721	\$ 1,457,582
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 2,990,721	\$ -	\$ 2,990,721	\$ 1,457,582

**Connecticut State University System**  
**Combining Statements of Net Position**  
**June 30, 2013 with Comparative Totals as of June 30, 2012**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2013	2012
<b>Liabilities</b>								
Current liabilities:								
Accounts payable	\$ 3,741,118	\$ 2,034,587	\$ 4,292,805	\$ 763,311	\$ 350,141	\$ -	\$ 11,181,962	\$ 11,770,751
Accrued salaries and benefits	14,106,160	5,730,861	13,760,522	6,381,053	341,672	-	40,320,268	37,959,908
Accrued compensated absences	545,533	515,849	595,691	671,961	303,057	-	2,632,091	2,168,837
Due to the State of Connecticut	507,491	1,279,284	431,164	1,392,123	-	-	3,610,062	3,382,103
Due to SO and Universities	81,249	42,601	69,152	50,499	-	(243,501)	-	-
Unearned tuition, fees and grant revenue	60,689,486	39,984,644	61,538,564	32,309,256	78,349	-	194,600,299	189,977,908
Bonds payable	-	-	-	-	18,052,030	-	18,052,030	15,434,402
Accrued bond interest payable	-	-	-	-	1,966,577	-	1,966,577	1,824,960
Capital lease obligation	-	-	-	-	-	-	-	5,874
Other liabilities	3,349,996	186,334	4,190,934	465,439	336,157	-	8,528,860	7,145,430
Depository accounts	911,558	698,601	1,672,135	356,136	(180)	-	3,638,250	3,501,047
Total current liabilities	<u>83,932,591</u>	<u>50,472,761</u>	<u>86,550,967</u>	<u>42,389,778</u>	<u>21,427,803</u>	<u>(243,501)</u>	<u>284,530,399</u>	<u>273,171,220</u>
Noncurrent liabilities:								
Accrued compensated absences	12,077,807	6,424,913	10,568,759	5,821,126	1,156,756	-	36,049,361	34,172,144
Bonds payable	-	-	-	-	263,841,283	-	263,841,283	248,609,669
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
Delayed compensation	-	-	-	-	190,662	-	190,662	190,362
Other-liabilities	717,547	133,970	812,330	217,662	8,437	-	1,889,946	4,130,879
Total noncurrent liabilities	<u>15,932,106</u>	<u>8,018,071</u>	<u>14,930,140</u>	<u>7,670,894</u>	<u>268,471,858</u>	<u>(3,274,720)</u>	<u>311,748,349</u>	<u>296,880,151</u>
Total liabilities	<u>\$ 99,864,697</u>	<u>\$ 58,490,832</u>	<u>\$ 101,481,107</u>	<u>\$ 50,060,672</u>	<u>\$ 289,899,661</u>	<u>\$ (3,518,221)</u>	<u>\$ 596,278,748</u>	<u>\$ 570,051,371</u>
<b>Deferred inflows of resources:</b>								
Premium on bonds payable	\$ -	\$ -	\$ -	\$ -	\$ 8,761,549	\$ -	\$ 8,761,549	\$ 2,691,397
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,761,549</u>	<u>\$ -</u>	<u>\$ 8,761,549</u>	<u>\$ 2,691,397</u>
<b>Net Position</b>								
Invested in capital assets, net of related debt	\$ 221,537,865	\$ 241,903,674	\$ 272,403,145	\$ 204,915,935	\$ (130,425,716)	\$ 11,895,453	\$ 822,230,356	\$ 711,410,396
Restricted:								
Nonexpendable	-	60,000	(155,406)	407,116	-	-	311,710	400,569
Expendable	5,059,152	8,451,822	20,738,354	2,140,864	25,456	-	36,415,648	50,403,929
Unrestricted	<u>46,682,175</u>	<u>10,588,795</u>	<u>27,898,262</u>	<u>23,560,194</u>	<u>17,854,027</u>	<u>-</u>	<u>126,583,453</u>	<u>126,107,398</u>
Total net position	<u>\$ 273,279,192</u>	<u>\$ 261,004,291</u>	<u>\$ 320,884,355</u>	<u>\$ 231,024,109</u>	<u>\$ (112,546,233)</u>	<u>\$ 11,895,453</u>	<u>\$ 985,541,167</u>	<u>\$ 888,322,292</u>

**Connecticut State University System**  
**Combining Statements of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2013 with Comparative Balances for the Year Ended June 30, 2012**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2013	2012
Operating revenues:								
Tuition and fees:								
Tuition and fees, gross	\$ 97,370,988	\$ 44,269,290	\$ 96,680,260	\$ 49,886,155	\$ 5,158,409	\$ -	\$ 293,365,102	\$ 290,506,402
Less:								
Scholarships allowance	7,921,619	4,635,872	8,473,977	3,965,587	-	-	24,997,055	24,451,191
Waivers	4,390,208	2,471,490	3,414,130	1,521,911	-	-	11,797,739	11,262,138
Debt service fee	8,430,727	4,561,246	8,378,088	4,756,525	(25,740,256)	(386,330)	-	-
Tuition and fees, net of scholarship allowances and waivers	76,628,434	32,600,682	76,414,065	39,642,132	30,898,665	386,330	256,570,308	254,793,073
Federal grants and contracts	16,406,142	5,902,376	14,362,559	6,869,181	-	-	43,540,258	44,550,863
State and local grants and contracts	4,140,925	1,719,902	4,061,403	1,913,885	-	-	11,836,115	14,419,323
Nongovernment grants and contracts	1,020,935	152,529	1,872,935	20,941	-	-	3,067,340	3,092,044
Indirect cost recoveries	365,771	74,794	224,196	-	-	-	664,761	977,655
Auxiliary revenues	24,355,987	26,668,122	24,788,281	15,575,850	4,242,414	(4,158,543)	91,472,111	90,559,061
Other operating revenues	3,819,930	1,935,744	11,838,903	1,683,068	8,547,937	(10,826,814)	16,998,768	17,096,195
Total operating revenues	126,738,124	69,054,149	133,562,342	65,705,057	43,689,016	(14,599,027)	424,149,661	425,488,214
Operating expenses:								
Personnel service and fringe benefits	131,367,915	75,993,991	133,418,433	74,370,802	8,378,196	-	423,529,337	406,853,351
Professional services and fees	7,778,622	3,617,708	7,850,049	5,315,764	2,080,077	-	26,642,220	25,870,585
Educational services and support	28,273,540	13,255,631	29,116,697	14,936,037	4,070	-	85,585,975	86,620,847
Travel expenses	3,221,405	817,865	1,657,381	871,827	75,124	-	6,643,602	6,351,076
Operation of facilities	17,300,773	7,470,392	10,080,142	8,003,083	12,444,914	(14,985,357)	40,313,947	41,336,484
Other operating supplies and expenses	5,116,169	3,157,043	5,183,256	4,206,309	2,896,136	386,330	20,945,243	22,939,328
Depreciation expense	13,810,692	11,930,214	18,002,730	9,458,782	1,693,260	-	54,895,678	51,676,986
Amortization expense	-	-	37,320	43,072	-	-	80,392	87,292
Total operating expenses	206,869,116	116,242,844	205,346,008	117,205,676	27,571,777	(14,599,027)	658,636,394	641,735,949
Operating income (loss)	\$ (80,130,992)	\$ (47,188,695)	\$ (71,783,666)	\$ (51,500,619)	\$ 16,117,239	\$ -	\$ (234,486,733)	\$ (216,247,735)

**Connecticut State University System**  
**Combining Statements of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2013 with Comparative Balances for the Year Ended June 30, 2012**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2013	2012
Nonoperating revenues (expenses)								
State appropriations	\$ 67,261,458	\$ 40,573,165	\$ 65,841,375	\$ 40,798,476	\$ 7,596,253	\$ -	\$ 222,070,727	\$ 209,201,643
Gifts	1,642,565	71,270	202,704	171,095	-	-	2,087,634	1,601,300
Investment income	140,563	46,974	133,790	58,166	758,959	-	1,138,452	1,106,741
Interest Expense	(7)	-	-	-	(10,299,777)	2,519,185	(7,780,599)	(10,179,046)
State financed plant facilities	5,902,553	-	34,036,441	-	-	-	39,938,994	2,855,528
Other nonoperating revenues	380,084	423,047	611,777	758,474	-	-	2,173,382	1,973,314
Net nonoperating revenues (expenses)	<u>75,327,216</u>	<u>41,114,456</u>	<u>100,826,087</u>	<u>41,786,211</u>	<u>(1,944,565)</u>	<u>2,519,185</u>	<u>259,628,590</u>	<u>206,559,480</u>
Income (loss) before other changes in net position	(4,803,776)	(6,074,239)	29,042,421	(9,714,408)	14,172,674	2,519,185	25,141,857	(9,688,255)
Other changes in net assets								
State appropriations restricted for capital purposes	21,340,304	12,219,483	9,059,096	28,952,799	1,189,274	-	72,760,956	49,348,227
Gain (loss) on disposal of capital assets	(323,165)	(268,935)	(47,830)	(39,870)	(4,138)	-	(683,938)	(946,312)
Net other changes in net position	<u>21,017,139</u>	<u>11,950,548</u>	<u>9,011,266</u>	<u>28,912,929</u>	<u>1,185,136</u>	<u>-</u>	<u>72,077,018</u>	<u>48,401,915</u>
Net increase in net position	16,213,363	5,876,309	38,053,687	19,198,521	15,357,810	2,519,185	97,218,875	38,713,660
Net Position:								
Net Position - beginning of year	<u>257,065,829</u>	<u>255,127,982</u>	<u>282,830,668</u>	<u>211,825,588</u>	<u>(127,904,043)</u>	<u>9,376,268</u>	<u>888,322,292</u>	<u>849,608,632</u>
Net Position - end of year	<u>\$ 273,279,192</u>	<u>\$ 261,004,291</u>	<u>\$ 320,884,355</u>	<u>\$ 231,024,109</u>	<u>\$ (112,546,233)</u>	<u>\$ 11,895,453</u>	<u>\$ 985,541,167</u>	<u>\$ 888,322,292</u>

**Connecticut State University System**  
**Combining Statements of Cash Flows**  
**June 30, 2013 with Comparative Totals as of June 30, 2012**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2013	2012
Cash flows from operating activities:								
Tuition and fees	\$ 77,934,907	\$ 33,129,172	\$ 75,989,585	\$ 39,609,265	\$ 5,158,409	\$ 386,330	\$ 232,207,668	\$ 231,245,603
Grants and contracts	21,022,961	7,847,979	19,930,278	8,805,514	-	-	57,606,732	61,563,273
Auxiliary revenues	19,855,826	24,181,543	24,125,964	15,056,948	-	(4,158,543)	79,061,738	87,817,824
Other operating revenues	7,997,472	2,488,963	12,475,283	2,643,559	12,134,223	(10,826,814)	26,912,686	19,642,622
Payments to employees for salaries and benefits	(130,890,757)	(74,800,838)	(132,530,054)	(74,003,461)	(8,324,114)	-	(420,549,224)	(418,208,587)
Payments to suppliers	(1,963,974)	(862,963)	(1,479,898)	(2,067,927)	(37,895)	-	(6,412,657)	(6,060,960)
Professional services and fees	(7,787,413)	(3,626,594)	(7,862,411)	(5,310,861)	(2,080,077)	-	(26,667,356)	(26,121,038)
Educational services and support	(28,521,583)	(13,255,631)	(29,116,696)	(14,936,037)	(4,070)	-	(85,834,017)	(87,091,759)
Travel expenses	(3,194,434)	(817,865)	(1,657,381)	(871,827)	(75,124)	-	(6,616,631)	(6,351,897)
Operation of facilities	(17,424,336)	(7,470,392)	(10,080,143)	(8,003,083)	(7,417,987)	14,985,357	(35,410,584)	(40,557,439)
Other operating supplies and expenses	(3,117,048)	(1,757,306)	(3,970,307)	(3,257,536)	(2,998,411)	(386,330)	(15,486,938)	(15,088,726)
University fee receipts					25,740,256		25,740,256	25,634,145
Net cash provided by (used in) operating activities	(66,088,379)	(34,943,932)	(54,175,780)	(42,335,446)	22,095,210	-	(175,448,327)	(173,576,939)
Cash flows from noncapital financing activities:								
State appropriations	66,768,128	37,128,383	65,340,990	40,597,833	7,604,743	-	217,440,077	220,546,184
Gifts for other than capital purposes	1,642,565	71,270	202,705	171,095	758,959	-	2,846,594	1,601,299
Nonoperating revenue other	408,687	423,047	611,777	758,474	-	-	2,201,985	2,008,269
Net cash provided by noncapital financing activities	\$ 68,819,380	\$ 37,622,700	\$ 66,155,472	\$ 41,527,402	\$ 8,363,702	\$ -	\$ 222,488,656	\$ 224,155,752

**Connecticut State University System**  
**Combining Statements of Cash Flows**  
**June 30, 2013 with Comparative Totals as of June 30, 2012**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2013	2012
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	-	-	-	-	\$40,703,114	-	\$ 40,703,114	\$34,791,598
Purchases of investments	-	-	-	-	(69,992,730)	-	(69,992,730)	(23,893,086)
Interest and dividends received on investments	99,496	46,974	134,870	58,166	-	-	339,506	1,132,470
Net cash provided by (used in) investing activities	99,496	46,974	134,870	58,166	(29,289,616)	-	(28,950,110)	12,030,982
Cash flows from capital and related financing activities:								
Cash paid for capital assets	(28,228,793)	(11,088,568)	(22,472,090)	(30,830,360)	(1,273,706)	-	(93,893,517)	(73,260,502)
State capital appropriations received	20,603,739	12,219,483	10,633,814	30,280,322	1,935,500	-	75,672,858	52,240,001
Proceeds of new bond issuance	-	-	-	-	34,060,000	-	34,060,000	49,040,000
Repayments of capital debt and leases	-	-	-	-	(16,210,758)	-	(16,210,758)	(69,525,892)
Interest paid on capital debt and leases	-	-	-	-	(10,299,777)	-	(10,299,777)	(11,571,946)
Payments on bond issuance costs	-	-	-	-	(293,342)	-	(293,342)	(586,840)
Proceeds from sale of property and equipment	18	-	-	4,800	(4,138)	-	680	15,800
Net cash used in capital and related financing activities	(7,625,036)	1,130,915	(11,838,276)	(545,238)	7,913,779	-	(10,963,856)	(53,649,379)
Net increase in cash and cash equivalents	(4,794,539)	3,856,657	276,286	(1,295,116)	9,083,075	-	7,126,363	(41,618,397)
Cash and cash equivalents, beginning of year	82,841,027	20,148,716	78,615,542	38,438,656	82,102,159	-	302,146,100	293,185,684
Cash and cash equivalents, end of year	\$ 78,046,488	\$ 24,005,373	\$ 78,891,828	\$ 37,143,540	\$ 91,185,234	\$ -	\$ 309,272,463	\$ 251,567,287

**Connecticut State University System**  
**Combining Statements of Cash Flows**  
**June 30, 2013 with Comparative Totals as of June 30, 2012**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2013	2012
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (80,130,992)	\$ (47,188,695)	\$ (71,783,666)	\$ (51,500,619)	\$ 16,117,239	\$ -	\$ (234,486,733)	\$ (216,247,735)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	13,810,692	11,930,214	18,002,730	9,458,782	1,693,260	-	54,895,678	51,676,986
Bad debt write-offs	35,070	-	-	-	-	-	35,070	32
Amortization	-	-	37,320	43,072	-	-	80,392	87,292
Changes in assets and liabilities:								
Receivables	(1,780,507)	(3,850,805)	(2,458,437)	590,473	(161,386)	-	(7,660,662)	(4,412,916)
Prepaid expenses and other	(257,047)	171,227	(79,594)	13,494	(120,375)	-	(272,295)	(272,797)
Accounts payable	(104,776)	365,207	56,194	(591,467)	21,216	-	(253,626)	315,549
Accrued salaries	733,892	437,112	997,650	201,418	(9,711)	-	2,360,361	(13,540,270)
Other liabilities	66,406	(181,565)	(1,109,458)	(480,130)	4,988,492	-	3,283,745	2,690,035
Due to/from State of Connecticut	(82,470)	311,622	(60,736)	59,544	-	-	227,960	121,021
Due to/from Universities	4,950	(14,759)	(12,287)	4,903	17,193	-	-	-
Unearned tuition, fees and grant revenues	1,818,478	2,478,741	1,145,307	(164,006)	(656,128)	-	4,622,392	4,919,518
Delayed compensation	-	-	-	-	300	-	300	305
Deposit accounts	(28,777)	(28,555)	271,824	(77,289)	63,493	-	200,696	(214,233)
Accrued bond interest payable	-	-	-	-	141,617	-	141,617	(74,940)
Accrued compensated absences	(173,298)	626,324	817,373	106,379	-	-	1,376,778	1,375,214
Net cash provided by (used in) operating activities	<u>\$ (66,088,379)</u>	<u>\$ (34,943,932)</u>	<u>\$ (54,175,780)</u>	<u>\$ (42,335,446)</u>	<u>\$ 22,095,210</u>	<u>\$ -</u>	<u>\$ (175,448,327)</u>	<u>\$ (173,576,939)</u>
Noncash investing, noncapital financing and capital and related financing transactions:								
Fixed assets included in accounts payable	\$ 1,236,506	\$ 740,396	\$ 1,883,403	\$ 33,508	\$ -	\$ -	\$ 3,893,813	\$ 4,458,076
State financed plant facilities	\$ 5,902,553	\$ -	\$ 34,036,441	\$ -	\$ -	\$ -	\$ 39,938,994	\$ 2,855,528
Reconciliation of cash and cash equivalents to the combined statements of net assets:								
Cash and cash equivalents classified as current assets	\$ 53,036,820	\$ 19,970,573	\$ 54,896,648	\$ 30,541,951	\$ 20,120,400	\$ -	\$ 178,566,392	\$ 179,586,917
Cash and cash equivalents classified as noncurrent assets	<u>25,009,668</u>	<u>4,034,800</u>	<u>23,995,180</u>	<u>6,601,589</u>	<u>71,064,834</u>	<u>-</u>	<u>130,706,071</u>	<u>122,559,183</u>
	<u>\$ 78,046,488</u>	<u>\$ 24,005,373</u>	<u>\$ 78,891,828</u>	<u>\$ 37,143,540</u>	<u>\$ 91,185,234</u>	<u>\$ -</u>	<u>\$ 309,272,463</u>	<u>\$ 302,146,100</u>