

# **Connecticut State University System**

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

## **Combined Financial Statements**

**June 30, 2009 with Summarized Financial Information for the Year  
Ended June 30, 2008**

**Connecticut State University System**  
**Index to Combined Financial Statements**  
**June 30, 2009 and 2008**

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## **Report of Independent Auditors**

To the Board of Trustees of  
Connecticut State University System

In our opinion, based on our audit and the reports of other auditors, the combined financial statements listed in the accompanying index, present fairly, in all material respects, the financial position of Connecticut State University System (The System Office; Central Connecticut State University; Eastern Connecticut State University; Southern Connecticut State University and Western Connecticut State University – “CSUS”) and its aggregate discretely presented component units (affiliated foundations – “Foundations”) at June 30, 2009 and 2008, and combined revenues, expenses and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These combined financial statements are the responsibility of CSUS’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundations, which statements reflect total net assets of \$57.0 million and \$64.1 million as of June 30, 2009 and 2008, respectively, and total revenues of \$4.3 million and \$7.7 million for the years ended June 30, 2009 and 2008, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

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

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

December , 2009

# Connecticut State University System

## Management's Discussion and Analysis (Unaudited)

### June 30, 2009 and 2008

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#### 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, 2009 with comparative information for the fiscal years ended June 30, 2008 and 2007. It has been prepared by CSUS Management and is required supplemental information for the financial statements and the footnotes that follow this section.

CSUS is the largest comprehensive public institution of higher learning in the State of Connecticut with approximately 36,500 students and 185,000 alumni. The System's four Universities are Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury; (collectively the "Universities"). The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 160 subject areas and provide extensive opportunities for internships, community service and cultural engagement. CSUS, in total, employed more than 3,250 full time employees at June 30, 2009.

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

#### Using the Financial Statements

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

#### Financial Highlights

At June 30, 2009, total assets of the System were \$1,364.9 million, an increase of \$43.2 million or 3.3% over the restated prior year amount of \$1,321.7 million, primarily due to increases in cash, cash equivalents and investments of \$11.8 million, net student receivables of \$14.6 million, net investment in plant of \$4.0 million and a \$21.7 million reduction in fiscal year 2008 library materials due to a prior period restatement offset by a decrease in Due from the State of Connecticut of \$10.5 million. At June 30, 2008, restated total assets of the System were \$1,321.7 million, an increase of \$47.3 million or 3.7% over the prior year amount of \$1,274.4 million, primarily due to increases in cash, cash equivalents and

## **Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2009 and 2008**

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investments of \$8.9 million, net student receivables of \$34.0 million, Due from the State of Connecticut of \$9.5 million and net investment in plant of \$16.1 million offset by a decrease due to the restatement of library materials of \$21.7 million.

Total liabilities at June 30, 2009, of \$592.5 million increased by \$3.2 million or .5% over the prior year level of \$589.3 million primarily due to increases in deferred revenues of \$12.3 million, accounts payable of \$2.4 million, accrued salaries and benefits of \$3.0 million and \$6.3 million in future sick and vacation payouts as a result of the State of Connecticut Retirement Incentive Program that took place at the end of FY2009, offset by decreases in bonds payable of \$19.4 million and accrued compensated absences of \$1.3 million. Total liabilities at June 30, 2008, of \$589.3 million increased by \$22.9 million or 4.0% over the prior year level of \$566.4 million primarily due to increases in deferred revenues of \$35.4 million, accounts payable of \$2.8 million, accrued compensated absences of \$2.0 million and accrued salaries and benefits of \$3.4 million offset by a decrease in bonds payable of \$18.8 million.

At June 30, 2009, total net assets, which represent the residual interest in the System's assets after liabilities are deducted, were \$772.4 million, an increase of \$40.0 million or 5.5% over last fiscal year's restated net assets of \$732.4 million. In fiscal year 2009, the System had a decrease in the amount of change in net assets of \$6.1 million compared to fiscal year 2008. This decrease was primarily due to decreases in restricted state bond appropriations of \$14.7 million, investment income of \$7.2 million and general state appropriations of \$3.0 million offset by an increase in tuition and fees of \$16.6 million. At June 30, 2008, total restated net assets were \$732.4 million, an increase of \$24.4 million or 3.4% above last fiscal year's net assets of \$708.0 million. In fiscal year 2008, the System had an increase in the amount of change in net assets of \$29.1 million compared to fiscal year 2007. This increase was primarily due to increases in state appropriations of \$29.2 million offset by a reduction in investment income of \$1.9 million. Total net assets of \$754.0 million at fiscal year 2008 were restated in fiscal year 2009 to reflect a change in accounting principles in the treatment of library materials. The cumulative effect of that restatement was a decrease in fiscal year 2008 net assets of \$21.7 million.

**Connecticut State University System  
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**Statement of Net Assets**

<b>SUMMARY OF NET ASSETS</b>					
<b>June 30, 2009, 2008 and 2007</b>					
<b>(\$ In millions)</b>					
				\$	%
	2009	2008	2007	Increase (Decrease) 08-09	Increase (Decrease) 08-09
Current Assets	\$355.6	\$343.6	\$288.1	\$12.0	3.5
Non-Current Assets:					
Capital Assets, net	865.0	839.3	844.8	25.7	3.1
Other	144.3	138.8	141.5	5.5	4.0
<b>Total Assets</b>	<b>1364.9</b>	<b>1321.7</b>	<b>1274.4</b>	<b>43.2</b>	<b>3.3</b>
Current Liabilities	268.4	251.1	210.5	17.3	6.9
Non-current liabilities	324.1	338.2	355.9	(14.1)	(4.2)
<b>Total Liabilities</b>	<b>592.5</b>	<b>589.3</b>	<b>566.4</b>	<b>3.2</b>	<b>.5</b>
<b>Net Assets</b>					
Investment in Plant – Net of Related Debt	664.5	624.0	618.9	40.5	6.5
Restricted					
Expendable	32.7	28.8	27.3	3.9	13.5
Non-expendable	1.7	1.0	.9	.7	70.0
<b>Total Restricted</b>	<b>34.4</b>	<b>29.8</b>	<b>28.2</b>	<b>4.6</b>	<b>15.4</b>
Unrestricted	73.5	78.6	60.9	(5.1)	(6.5)
<b>Total Net Assets</b>	<b>\$772.4</b>	<b>\$732.4</b>	<b>\$708.0</b>	<b>\$40.0</b>	<b>5.5</b>

Current assets at June 30, 2009 of \$355.6 million increased by \$12.0 million or 3.5% primarily due to increases in net student receivables of \$14.6 million and cash and cash equivalents of \$7.3 million offset by a decrease in Due from the State of Connecticut of \$10.5 million. Total current assets represent coverage of current operating expenses excluding depreciation and amortization for approximately seven months. The System's current ratio of 1.3:1 at the end of the fiscal year was similar to last fiscal year.

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

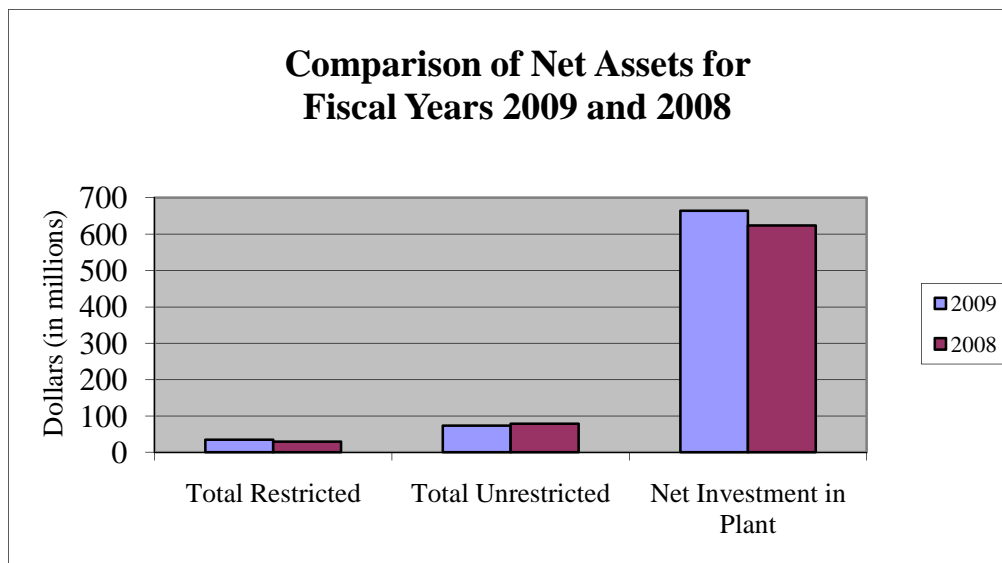
**Connecticut State University System  
Management’s Discussion and Analysis (Unaudited)  
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Total non-current assets at June 30, 2009, of \$1,009.3 million increased by \$31.2 million or 3.2% over fiscal year restated 2008 level of \$978.1 million primarily due to an increase in non-current cash and cash equivalents of \$5.6 million, and a fiscal year 2008 restatement of library materials resulting in a decrease in capital assets of \$21.7 million. Total restated non-current assets at June 30, 2008, of \$978.1 million decreased by \$8.2 million or .8% from the fiscal year 2007 level of \$986.3 million primarily due to decreases in capital assets of \$5.5 million and non-current cash and cash equivalents of \$3.0 million.

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

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



**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
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<b>NET INVESTMENT IN PLANT</b>					
<b>June 30, 2009, 2008 and 2007</b>					
<b>(\$ In millions)</b>					
	2009	2008	2007	\$ Increase (Decrease) 08-09	% Increase (Decrease) 08-09
Land	\$18.4	\$18.4	\$18.5	\$ -	\$ -
Buildings & Improvements	1,070.4	1,005.4	953.2	65.0	6.5
Land Improvements	76.6	76.2	71.7	.4	.5
Furniture, Fixtures & Equipment	132.5	125.4	116.1	7.1	5.7
Library books and materials	55.7	58.2	56.6	(2.5)	(4.3)
Construction in progress	15.9	17.9	33.7	(2.0)	(11.2)
<b>Total Investment in Plant</b>	<b>1,369.5</b>	<b>1,301.5</b>	<b>1,249.8</b>	<b>68.0</b>	<b>5.2</b>
Less Accumulated Depreciation	504.5	462.2	405.0	42.3	9.2
<b>Investment in Plant, Net of Depreciation</b>	<b>\$865.0</b>	<b>\$839.3</b>	<b>\$844.8</b>	<b>\$25.7</b>	<b>3.1</b>

At fiscal year end June 30, 2009, the System had \$1,369.5 million invested in plant assets, an increase of \$68.0 million or 5.2% over the fiscal year end 2008 level of \$1,301.5 million. This increase was primarily due to the completion of a science building at one of our universities and other major enhancements of existing buildings during the fiscal year. Total additions to depreciable capital assets of \$86.6 million during the fiscal year were indicative of the State's continued strong commitment to long term capital investment at the CSUS Universities.

At fiscal year end June 30, 2008, the System had \$1,301.5 million invested in plant assets, an increase of \$51.7 million or 4.1% over the fiscal year end 2007 level of \$1,249.8 million. This increase was primarily due to the completion of an addition to an existing library at one of our universities and other major enhancements of existing buildings during the fiscal year. Total additions to depreciable capital assets of \$74.2 million during the fiscal year were indicative of the State's strong commitment to long term capital investment at the CSUS Universities.

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 and \$19.3 million was allocated by the Bond

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## **Management's Discussion and Analysis (Unaudited)**

### **June 30, 2009 and 2008**

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Commission during 2009, bringing the total amount of allocations to CSUS between 1997 and 2009 to \$692.5 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.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the twelfth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Funds available from six CHEFA bond issues totaled \$375.4 million. In addition, \$49.5 million was issued in February 2004, \$48.5 million was issued in June 2005 and \$62.8 million was issued in April 2007 to refund selected maturities from prior CHEFA bond issues. The auxiliary service capital plan was last reviewed and updated in 2005 and requires approximately \$100.9 million in additional funds to finance projects identified through fiscal year 2009. Funding for the \$100.9 million program includes \$5 million per year (\$20 million over four years through fiscal year 2009) provided by the State in general obligation bonds to finance auxiliary service projects that otherwise would be financed by the System through CHEFA.

**Connecticut State University System**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2009 and 2008**

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

<b>SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>					
<b>June 30, 2009, 2008 and 2007</b>					
<b>(\$ In millions)</b>					
				\$	%
	2009	2008	2007	Increase (Decrease) 08-09	Increase (Decrease) 08-09
<b>Operating Revenues</b>					
Tuition and fees	\$222.1	\$205.5	\$190.5	\$16.6	8.1
Auxiliary revenues	84.8	79.0	74.6	5.8	7.3
Grants & Indirect Cost Recoveries	54.2	50.1	44.4	4.1	8.2
Other	12.5	15.5	17.7	(3.0)	(19.4)
<b>Total Operating Revenues</b>	<b>373.6</b>	<b>350.1</b>	<b>327.2</b>	<b>23.5</b>	<b>6.7</b>
<b>Less: Operating Expenses before depreciation and amortization</b>	<b>589.0</b>	<b>568.2</b>	<b>529.8</b>	<b>20.8</b>	<b>3.7</b>
Depreciation	50.0	42.3	40.8	7.7	18.2
Amortization	.4	.4	.4	-	-
<b>Operating Loss</b>	<b>(265.8)</b>	<b>(260.8)</b>	<b>(243.8)</b>	<b>(5.0)</b>	<b>(1.9)</b>
<b>Non-Operating Revenues and Other</b>					
State Appropriations	248.5	266.2	236.9	(17.7)	(6.6)
Investment Income	4.5	11.7	13.6	(7.2)	(61.5)
Other	52.8	29.0	10.3	23.8	82.1
<b>Total Non-Operating Revenues</b>	<b>305.8</b>	<b>306.9</b>	<b>260.8</b>	<b>(1.1)</b>	<b>(0.4)</b>
Increase in Net Assets	40.0	46.1	17.0	(6.1)	(13.2)
Net Assets, beginning of year	732.4	708.0	691.0	24.4	3.4
Cumulative effect of change in accounting policy and principles –library materials	-	(21.7)	-	(21.7)	-
<b>Net Assets, end of year</b>	<b>\$772.4</b>	<b>\$732.4</b>	<b>\$708.0</b>	<b>\$40.0</b>	<b>5.5</b>

In fiscal year 2009, total revenues of \$679.4 million increased by \$22.4 million or 3.4% compared to the fiscal year 2008 level of \$657.0 million. Operating revenues of \$373.6 million at June 30, 2009 increased by \$23.5 million or 6.7% from the previous year, primarily due to increases in tuition and fees of \$16.6 million and auxiliary revenues of \$5.8 million. The increase in tuition and fees over the prior year is due to an average 6.6% increase in tuition and required fees coupled with a 2.7% increase in total annualized FTE enrollment. In fiscal year 2008, total revenues of \$657.0 million increased by \$69.0 million or 11.7% compared to the fiscal year 2007 level of \$588.0 million. Operating revenues of \$350.1 million at

# Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2009 and 2008

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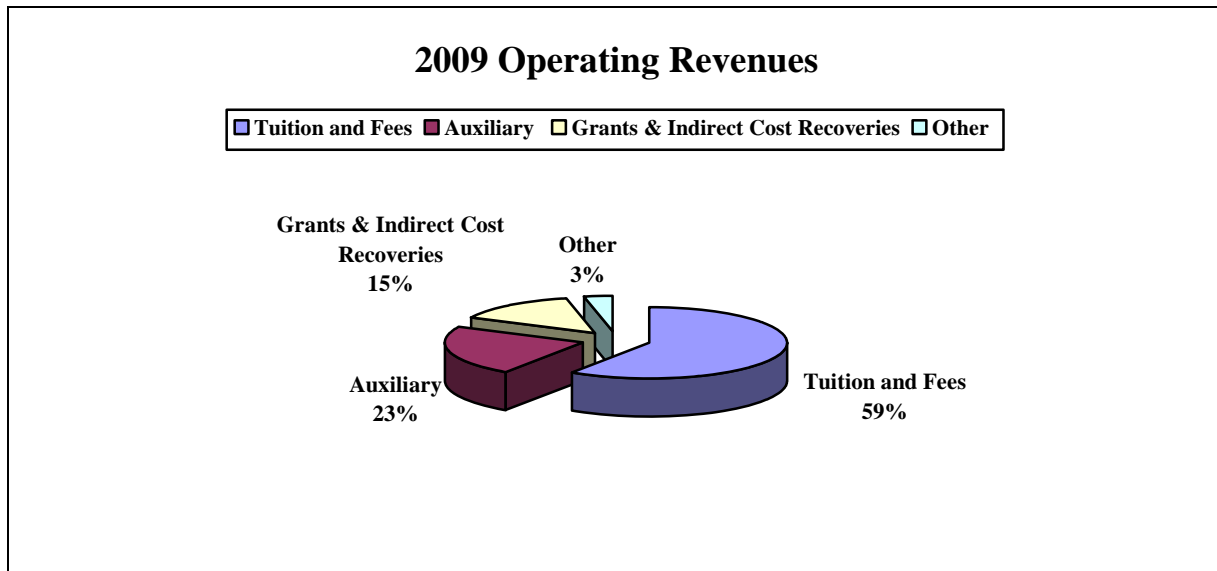
June 30, 2008 increased by \$22.9 million or 7.0% from the previous year, primarily due to increases in tuition and fees of \$15.0 million and Federal and State grants of \$5.5 million. The increase in tuition and fees over the prior year was due to an average 7.2% increase in tuition and required fees coupled with a 1.4% increase in total annualized FTE enrollment.

In fiscal year 2009, state appropriations of \$248.5 million, representing 36.6 % of the System's total revenues, were \$17.7 million or 6.6% below fiscal year 2008. State appropriations are received for both operating and capital purposes. In the current year the System was allotted \$238.4 million for operating purposes and \$10.1 million for capital purposes. These allotments were 1.2% and 59.3% below the prior year levels, respectively. The majority of the State appropriation dollars for operating purposes are used to fund salaries and fringe benefits. Approximately 64% of the System's salary and fringe benefit costs are funded from State appropriations. The receipt of title to plant facilities of \$49.5 million during the fiscal year increased by \$24.1 million or 94.9% from the prior year's level of \$25.4 million. The increase was due to the completion of a science center at one of our universities.

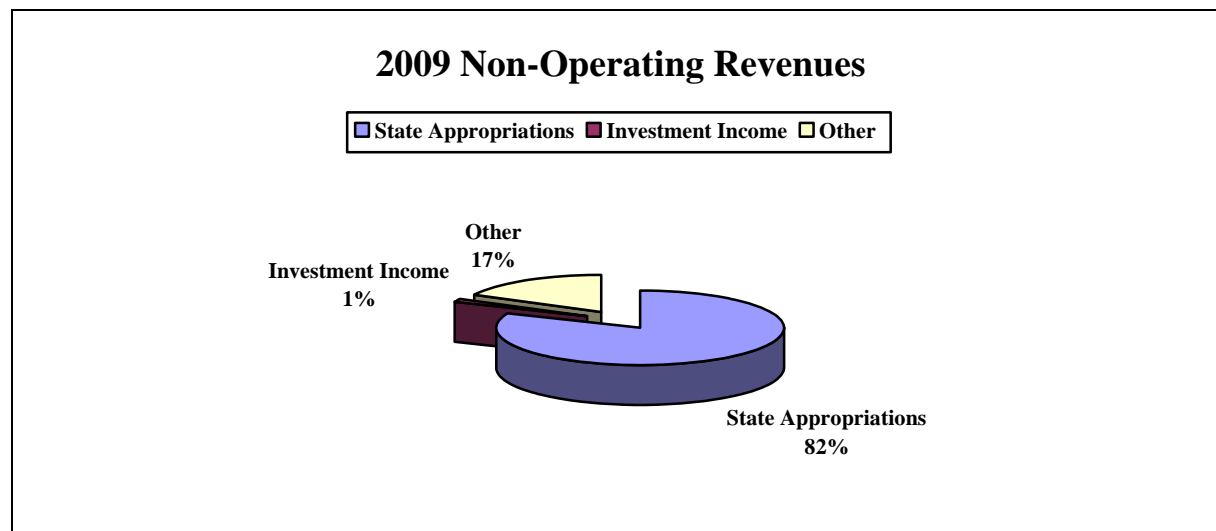
Investment income of \$4.5 million decreased by \$7.2 million or 61.5% below fiscal year 2008. This decrease in investment income was due to a decrease in interest rates during fiscal year 2009.

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

## Revenue by Source



**Connecticut State University System  
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<b>OPERATING EXPENSES</b>					
<b>June 30, 2009, 2008 and 2007</b>					
<b>(\$ In millions)</b>					
	2009	2008	2007	\$ Increase (Decrease) 08-09	% Increase (Decrease) 08-09
<b>Operating Expenses</b>					
Personnel service and fringes	\$402.3	\$379.8	\$356.5	\$22.5	5.9
Professional services and contracts	24.7	24.5	23.6	.2	.8
Educational and support services	71.4	69.4	61.5	2.0	2.9
Facilities	60.7	63.1	59.2	(2.4)	(3.8)
Other	29.9	31.4	29.0	(1.5)	(4.8)
Depreciation	50.0	42.3	40.8	7.7	18.2
Amortization	.4	.4	.4	-	-
<b>Total Operating Expenses</b>	<b>\$639.4</b>	<b>\$610.9</b>	<b>\$571.0</b>	<b>\$28.5</b>	<b>4.7</b>

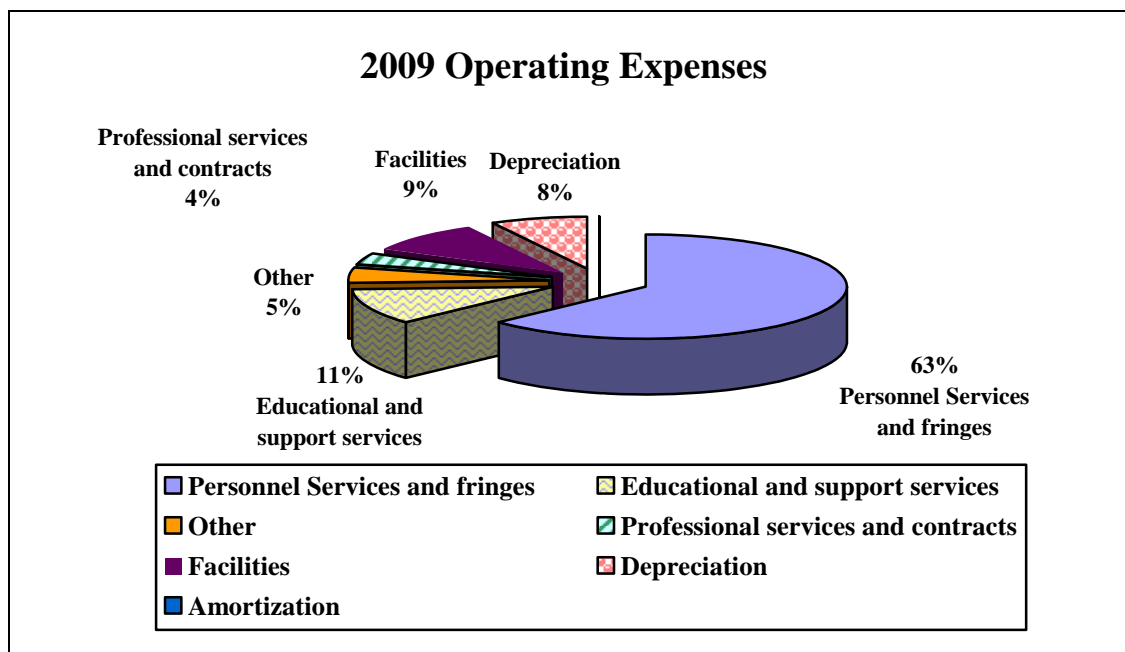
For the year ended June 30, 2009, total operating expenses less depreciation and amortization of \$589.0 million increased by \$20.8 million or 3.7% over the prior fiscal year. Personnel services and fringes increased by \$22.5 million or 5.9% primarily due to annual salary increases ranging between 4% and 5.6%. Educational and support services increased by \$2.0 million due to additional expenditures for auxiliary services and financial aid, while facilities expenses decreased by \$2.4 million, reflecting spending restrictions in place during the fiscal year.

For the year ended June 30, 2008, total operating expenses less depreciation and amortization of \$568.2 million increased by \$38.4 million or 7.2% over the prior fiscal year. Personnel services and fringes increased by \$23.3 million or 6.5% due to annual salary increases ranging between 4% and 6% as well as strategic hiring of certain key positions primarily in the area of faculty. Education and support services

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increased by \$7.9 million due to the high level of financial aid granted to students during the year; and facilities increased by \$3.9 million, primarily reflecting increased energy costs during the year.

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



**Statement of Cash Flows**

<b>STATEMENT OF CASH FLOWS</b>					
<b>June 30, 2009, 2008 and 2007</b>					
(\$ In millions)					
	2009	2008	2007	\$ Increase (Decrease) 08-09	% Increase (Decrease) 08-09
<b>Cash provided (used) by</b>					
Operating Activities	\$(209.4)	\$(211.8)	\$(197.5)	2.4	1.1
Non-Capital Financing Activities	243.4	238.1	228.3	5.3	2.2
Capital & Related Financing Activities	(27.3)	(29.8)	(54.8)	2.5	8.4
Investing Activities	6.2	12.2	20.5	(6.0)	(49.2)
Net Increase (Decrease) in Cash	12.9	8.7	(3.5)	4.2	48.3
<b>Cash, beginning of year</b>	<b>219.9</b>	<b>211.2</b>	<b>214.7</b>	<b>8.7</b>	<b>4.1</b>
<b>Cash, end of year</b>	<b>\$232.8</b>	<b>\$219.9</b>	<b>\$211.2</b>	<b>12.9</b>	<b>5.9</b>

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Management's Discussion and Analysis (Unaudited)  
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The System's change in its net increase in cash and cash equivalents at June 30, 2009 of \$4.2 million or 48.3% is primarily due to increases in tuition and fees and auxiliary income of \$ 17.6 million resulting from increases in both tuition rates and enrollment and operating State appropriations of \$13.6 million offset by an increase in personnel costs of \$19.4 million and a decrease in investment income of \$ 7.4 million.

**Enrollment**

The following table indicates historical enrollment of undergraduate and graduate students for the 2004-2005 through 2008-2009 academic years. Also indicated is full-time equivalent student enrollment.

Fall Headcount Enrollment and Annual Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Annual Full Time Equivalent	% Change
2009	29,263	2.5%	6,628	(2.8%)	35,891	1.4%	27,641	2.7%
2008	28,564	.2%	6,820	(6.5%)	35,384	(1.2%)	26,922	1.4%
2007	28,503	2.1%	7,292	(3.6%)	35,795	0.9%	26,547	1.5%
2006	27,927	0.6%	7,566	(2.5%)	35,493	(0.1%)	26,146	1.6%
2005	27,775	1.1%	7,762	(2.6%)	35,537	0.3%	25,746	2.0%

**Student Admissions**

The table below shows the total of new freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of 2005 through 2009.

Fall Semester First Year Student Admissions					
Fall Semester	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2009	20,280	61.4%	12,447	35.9%	4,470
2008	19,587	60.1%	11,777	38.0%	4,475
2007	18,044	57.2%	10,321	43.9%	4,536
2006	17,059	60.2%	10,278	41.7%	4,291
2005	16,860	61.5%	10,367	41.2%	4,272

**Economic Outlook**

Operating revenues increased in fiscal year 2009 and are expected to increase in fiscal year 2010. Full time equivalent (FTE) enrollment at the System has increased every year since fiscal year 1996, and is at an all-time high; FTE enrollment for the fall 2009 semester continued this upward trend.

The most significant economic factor impacting CSUS continues to be the fiscal stability of the State of Connecticut. The total of tuition, fees and State appropriations accounted for 69.3% of the total revenues of the System in 2009. The System received \$238.3 million in State appropriations for operating activities in fiscal year 2009, and currently anticipates appropriations of \$239.3 million in fiscal year 2010.

## **Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2009 and 2008**

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Connecticut continues to face challenging economic conditions. The State ended the 2009 fiscal year with a deficit of \$925.9 million; while the budget deficits forecast for FY10 and FY11 are lower, the deficit for FY12 is currently forecast at over \$3 billion. The State entered the recession later than other states, and its recovery is expected to lag the national recovery as well. Job losses are expected to continue through the second quarter of 2010 with a total job loss of close to 100,000, including approximately 25,000 in manufacturing. The Connecticut unemployment rate is projected to peak in the middle of 2010. Declines in state income and sales tax revenue, along with local property taxes, will continue to challenge state and local budgets.

CSUS fully expects that the amount of State appropriation available for operating purposes in the next few years will decline. At the same time, CSUS must be ready to serve an ever-growing population of current and potential students. CSUS has been partnering with the preK-12 system and the Community College System on a number of initiatives to bolster access and student readiness, including several programs to ensure that high school graduates are better prepared for college. In addition, a new Dual Admission program was developed that includes all 12 Connecticut Community Colleges and all four CSUS universities. It includes a joint advising component, to work with students who plan on transferring to a CSUS university after earning their associate's degree. CSUS firmly expects its enrollment to continue growing at a record pace.

CSUS is well positioned to meet the coming challenges. Since early 2008, it has proactively and voluntarily adopted measures to economize and conserve resources. It actively seeks out process redesign and efficiencies while maintaining a quality educational experience for its students.

CSUS increased tuition and required fees on average by 6.6% in fiscal year 2009. However, in order to ensure that a CSUS education continues to be accessible and affordable, the System also processed \$12.8 million more in financial aid than was budgeted during the fiscal year. CSUS remains committed to its mission of access and affordability.

During fiscal year 2009, construction was completed on a new police station at one university. In addition, at the same university funding was provided for the construction of a new 808-vehicle parking garage. Construction projects currently underway at the universities include fire code improvements to a campus administration building, as well as window replacements at the same facility; a sprinkler system installation in one residence hall, bathroom renovations to a second residential facility, and roof replacement at a third residence hall building; outdoor athletic facility renovations at one university; and phase II completion of an outdoor track at another university.

During fiscal year 2009 the Bond Commission approved funding for "CSUS 2020", an historic \$950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS universities. This program provides additional flexibility in the allocation of bond funds, thus allowing for more timely completion of major university construction projects. During fiscal year 2009, the CSU System received \$95 million to finance the first year of the program, which provides funds for system-wide initiatives including the new and replacement equipment program, land and property acquisition, telecommunications infrastructure upgrades, and alterations and improvements to auxiliary service facilities. In addition, funds provide for the design and construction of various code compliance and infrastructure improvements at each university, the construction of a maintenance/salt shed facility at one university, and the design of a new academic laboratory building and construction of a 450-vehicle parking facility at another university.

**Connecticut State University System  
Management's Discussion and Analysis (Unaudited)  
June 30, 2009 and 2008**

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While the state economy continues to be challenging, nationally the recession appears to have ended, and the economy is now beginning to show some signs of recovery. Housing starts appear to have stabilized since June and are up off their record lows. Non-vehicle consumption seems to have firmed in recent months. While employment is still declining, the pace of job losses has slowed. Most economists expect the economy to show signs of improvement in fiscal year 2010; however, the Federal Reserve indicates that constrained bank lending and a weak job market likely will keep the pace of recovery in check.

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

**Connecticut State University System**  
**Combined Statements of Net Assets**  
**June 30, 2009 and 2008**

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	2009	2008
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Notes 2 and 12)	\$ 127,199,289	\$ 119,897,477
Investments (Note 2)	13,518,894	14,619,515
Student receivables	161,175,896	146,537,424
Allowance-doubtful student receivables	<u>(5,712,423)</u>	<u>(5,672,327)</u>
Student receivables, net (Note 3)	155,463,473	140,865,097
Student loans receivable (Notes 3 and 4)	1,916,738	2,004,386
Grants receivable, net (Note 3)	2,057,938	1,499,028
Miscellaneous receivables, net (Note 3)	1,738,610	1,065,225
Due from the State of Connecticut (Notes 1 and 5)	51,743,674	62,266,222
Prepaid expenses and other current assets	<u>1,932,254</u>	<u>1,402,369</u>
Total current assets	<u>355,570,870</u>	<u>343,619,319</u>
Noncurrent assets		
Cash and cash equivalents (Notes 2 and 12)	105,578,044	99,968,391
Investments (Note 2)	26,661,944	26,667,944
Student loans receivable	12,078,473	11,634,278
Allowance-doubtful loan receivables	<u>(2,744,809)</u>	<u>(2,715,580)</u>
Loans receivable, net (Notes 3 and 4)	9,333,664	8,918,698
Other assets	2,727,287	3,271,628
Investment in plant	1,369,475,018	1,301,445,496
Accumulated depreciation	<u>(504,489,809)</u>	<u>(462,164,740)</u>
Investment in plant, net of accumulated depreciation (Note 6)	<u>864,985,209</u>	<u>839,280,756</u>
Total noncurrent assets	<u>1,009,286,148</u>	<u>978,107,417</u>
Total assets	<u>\$ 1,364,857,018</u>	<u>\$ 1,321,726,736</u>

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

**Connecticut State University System**  
**Combined Statements of Net Assets**  
**June 30, 2009 and 2008**

**(Continued)**

	<b>2009</b>	<b>2008</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 14,198,808	\$ 11,756,671
Accrued salaries and benefits	50,578,423	47,592,160
Accrued compensated absences (Note 7)	1,887,145	1,994,034
Due to the State of Connecticut	3,234,495	2,929,797
Deferred revenue (Note 9)	169,865,409	157,601,204
Bonds payable (Note 8)	19,244,035	19,424,805
Accrued bond interest payable	2,029,269	2,104,453
Capital lease obligation (Note 8)	21,214	22,636
Other liabilities	3,623,467	3,758,933
Depository accounts	3,746,301	3,941,144
Total current liabilities	<u>268,428,566</u>	<u>251,125,837</u>
Noncurrent liabilities		
Accrued compensated absences (Note 7)	30,074,784	31,312,230
Bonds payable (Note 8)	277,667,189	296,911,224
Federal loan program advances	9,777,097	9,777,097
Deferred compensation (Note 8)	272,353	201,540
Other liabilities - RIP (Note 7)	6,255,655	-
Capital lease obligation (Note 8)	18,637	7,953
Total noncurrent liabilities	<u>324,065,715</u>	<u>338,210,044</u>
Total liabilities	<u>592,494,281</u>	<u>589,335,881</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	664,566,915	623,960,808
Restricted		
Nonexpendable	1,674,485	1,047,116
Expendable	32,657,735	28,839,068
Unrestricted	73,463,602	78,543,863
Total net assets	<u>772,362,737</u>	<u>732,390,855</u>
Total liabilities and net assets	<u>\$ 1,364,857,018</u>	<u>\$ 1,321,726,736</u>

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

**Connecticut State University System**  
**Combined Statements of Net Assets – Component Units**  
**June 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 7,566,624	\$ 4,184,190
Investments (Note 2)	44,465,058	55,102,673
Contributions and other receivables (Note 3)	592,634	842,954
Prepaid expenses and other assets	959,901	1,099,060
Investment in plant, net (Note 6)	3,801,183	3,420,654
Total assets	<u>\$ 57,385,400</u>	<u>\$ 64,649,531</u>
<b>Liabilities</b>		
Accounts payable	\$ 74,458	\$ 142,988
Custodial obligation payable	52,725	102,575
Other liabilities	236,849	224,723
Long-term debt (Note 8)	49,309	34,310
	<u>413,341</u>	<u>504,596</u>
<b>Net assets</b>		
Permanently restricted	48,221,260	48,565,583
Temporarily restricted	8,835,936	14,273,300
Unrestricted	(85,137)	1,306,052
Total net assets	<u>56,972,059</u>	<u>64,144,935</u>
Total liabilities and net assets	<u>\$ 57,385,400</u>	<u>\$ 64,649,531</u>

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

**Connecticut State University System**  
**Combined Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2009 and 2008**

	2009	2008
Operating revenues		
Tuition and fees		
Tuition and fees	\$ 250,744,057	\$ 233,061,866
Less		
Scholarships allowance	17,977,595	17,278,355
Waivers	10,705,400	10,251,839
Tuition and fees, net of scholarship allowances and waivers	<u>222,061,062</u>	<u>205,531,672</u>
Federal grants and contracts	33,895,760	31,351,608
State and local grants and contracts	16,072,925	15,266,943
Nongovernment grants and contracts	3,044,237	2,704,566
Indirect cost recoveries	1,180,188	689,376
Auxiliary revenues	84,850,753	78,981,651
Other operating revenues	12,526,539	15,532,482
Total operating revenues	<u>373,631,464</u>	<u>350,058,298</u>
Operating expenses (Note 13)		
Personnel service and fringe benefits	402,336,398	379,749,922
Professional services and fees	24,749,586	24,536,615
Educational services and support	71,351,004	69,340,490
Travel expenses	5,938,536	7,124,652
Operation of facilities	60,709,470	63,135,226
Other operating supplies and expenses	23,936,668	24,310,011
Depreciation expense	49,989,291	42,259,816
Amortization expense	385,525	393,934
Total operating expenses	<u>639,396,478</u>	<u>610,850,666</u>
Operating loss	<u>(265,765,014)</u>	<u>(260,792,368)</u>
Nonoperating revenues		
State appropriations	238,314,646	241,293,360
Gifts	701,997	834,868
Investment income	4,533,133	11,658,034
State financed plant facilities (Note 1)	49,536,740	25,364,105
Other nonoperating revenues	2,552,617	2,794,161
Net nonoperating revenues	<u>295,639,133</u>	<u>281,944,528</u>
Increase in net assets before other revenues, expenses, gains and losses	29,874,119	21,152,160
State appropriations restricted for capital purposes	10,097,763	24,838,554
Net increase in net assets	<u>39,971,882</u>	<u>45,990,714</u>
Net assets		
Net assets - beginning of year (Note 1)	732,390,855	708,052,844
Cumulative effect of change in accounting principles:		
Adoption of depreciation for library materials	-	(21,652,703)
Net assets - beginning of year, as adjusted	<u>732,390,855</u>	<u>686,400,141</u>
Net assets - end of year	<u>\$ 772,362,737</u>	<u>\$ 732,390,855</u>

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

**Connecticut State University System**  
**Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units**  
**Years Ended June 30, 2009 and 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
<b>Revenues, gains and other support</b>					
Contributions	\$ 1,983,000	\$ 2,703,594	\$ 2,342,973	\$ 7,029,567	\$ 10,312,227
State grants	-	-	51,500	51,500	371,660
Program income	104,882	239,844	11,320	356,046	389,403
Investment income	208,218	1,462,930	191	1,671,339	1,876,372
Loss on investments	(1,224,002)	(9,385,332)	(122,686)	(10,732,020)	(5,457,708)
Other income	164,826	2,982	2,040	169,848	179,681
Net assets released from restrictions	3,059,864	(3,059,864)	-	-	-
Total revenues, gains and other support	<u>4,296,788</u>	<u>(8,035,846)</u>	<u>2,285,338</u>	<u>(1,453,720)</u>	<u>7,671,635</u>
<b>Operating expenses</b>					
Scholarships and awards	710,692	-	-	710,692	746,657
University support	2,878,584	-	-	2,878,584	2,214,797
Auxiliary services	321,208	-	-	321,208	293,969
Academic enrichment	302,901	-	-	302,901	231,760
Fundraising	778,348	-	-	778,348	943,644
Management and general	727,423	-	-	727,423	760,962
Total operating expenses	<u>5,719,156</u>	<u>-</u>	<u>-</u>	<u>5,719,156</u>	<u>5,191,789</u>
Transfers between funds	(75,013)	382,769	(307,756)	-	-
Changes in net assets	<u>(1,497,381)</u>	<u>(7,653,077)</u>	<u>1,977,582</u>	<u>(7,172,876)</u>	<u>2,479,846</u>
Net assets					
Beginning of year	<u>1,412,244</u>	<u>16,489,013</u>	<u>46,243,678</u>	<u>64,144,935</u>	<u>61,665,089</u>
End of year	<u>\$ (85,137)</u>	<u>\$ 8,835,936</u>	<u>\$ 48,221,260</u>	<u>\$ 56,972,059</u>	<u>\$ 64,144,935</u>

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

**Connecticut State University System**  
**Combined Statements of Cash Flows**  
**Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 196,681,979	\$ 183,109,577
Grants and contracts	52,303,193	49,403,732
Auxiliary revenues	82,875,966	78,865,771
Other operating revenues	14,417,000	17,198,932
Payments to employees for salaries and benefits	(394,860,236)	(375,465,650)
Payments to suppliers	(7,713,972)	(7,425,292)
Professional services and fees	(24,652,889)	(24,345,905)
Educational services and support	(71,228,620)	(69,570,610)
Travel expenses	(6,089,384)	(7,009,199)
Operation of facilities	(56,157,694)	(62,993,990)
Other operating supplies and expenses	(18,138,433)	(15,347,408)
University fee receipts	23,177,997	21,739,655
Net cash used in operating activities	<u>(209,385,093)</u>	<u>(211,840,387)</u>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	240,256,618	234,463,193
Gifts for other than capital purposes	701,997	824,894
Nonoperating revenue other	2,490,461	2,776,641
Net cash provided by noncapital financing activities	<u>243,449,076</u>	<u>238,064,728</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	3,039,657	12,921,694
Purchases of investments	(1,933,036)	(13,172,030)
Interest and dividends received on investments	5,103,756	12,490,695
Net cash provided by investing activities	<u>6,210,377</u>	<u>12,240,359</u>
<b>Cash flows from capital and related financing activities</b>		
Cash paid for capital assets	(26,320,058)	(33,685,190)
State capital appropriations received	18,061,072	22,313,678
Proceeds of new bond issuance	29,487	204,371
Repayments of capital debt and leases	(19,133,396)	(18,668,463)
Capital grants and gifts received	-	9,975
Net cash used in capital and related financing activities	<u>(27,362,895)</u>	<u>(29,825,629)</u>
Net increase in cash and cash equivalents	12,911,465	8,639,071
Cash and cash equivalents, beginning of year	219,865,868	211,226,797
Cash and cash equivalents, end of year	<u>\$ 232,777,333</u>	<u>\$ 219,865,868</u>

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

**Connecticut State University System**  
**Combined Statements of Cash Flows**  
**Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (265,765,014)	\$ (260,792,368)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	49,989,291	42,259,816
Bad debt write-offs	93,118	389,222
Amortization	385,525	393,934
Changes in assets and liabilities:		
Receivables	(16,251,107)	(34,959,455)
Prepaid expenses and other	(300,032)	(322,738)
Accounts payable	2,442,137	2,788,155
Accrued salaries	2,986,263	3,440,283
Other liabilities	6,009,126	(2,882,864)
Due from the State of Connecticut	304,944	586,167
Deferred revenues	12,264,205	35,391,038
Deferred compensation	70,813	67,187
Deposit accounts	(194,843)	(24,117)
Accrued bond interest payable	(75,184)	(154,173)
Accrued compensated absences	(1,344,335)	1,979,526
Net cash used in operating activities	<u>\$ (209,385,093)</u>	<u>\$ (211,840,387)</u>
<b>Noncash financing activity</b>		
Fixed assets acquired by incurring capital lease obligations	\$ 55,789	\$ 253,847
Fixed assets included in accounts payable	\$ 5,999,804	\$ 1,134,987
State financed plant facilities	\$ 49,536,740	\$ 25,364,105
<b>Reconciliation of cash and cash equivalents to the combined statements of net assets</b>		
Cash and cash equivalents classified as current assets	\$ 127,199,289	\$ 119,897,477
Cash and cash equivalents classified as noncurrent assets	105,578,044	99,968,391
	<u>\$ 232,777,333</u>	<u>\$ 219,865,868</u>

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

# Connecticut State University System

## Notes to Combined Financial Statements

### June 30, 2009 and 2008

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#### 1. Summary of Significant Accounting Policies

##### Organization

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

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

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

##### Basis of Presentation

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

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

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

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

# Connecticut State University System

## Notes to Combined Financial Statements

### June 30, 2009 and 2008

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- The combined statement of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

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

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

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

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

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

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

Affiliated alumni associations with unaudited total net assets of approximately \$1.0 million and \$1.1 million at June 30, 2009 and 2008, respectively, have not been included as component units of the Universities.

# Connecticut State University System

## Notes to Combined Financial Statements

### June 30, 2009 and 2008

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#### **Change in accounting for library materials**

Historically, CSUS accounted for capitalized library materials by systematically deleting the value of library materials at the end of their estimated useful lives. In 2009, CSUS changed its method of accounting for library materials to recognize the depreciation of library materials by recording annual depreciation on a straight line basis over the estimated useful lives of the materials. In management's judgment, straight line method depreciation is a preferable accounting method and is consistent with the method used by CSUS to account for other capital assets. This change in accounting principle is reported in the statements of revenues, expenses, and changes in net assets as a cumulative effect of a change in accounting principle, which is an adjustment to beginning net assets in the earliest year presented, July 1, 2007.

#### **Net Assets**

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

- **Invested in Capital Assets, Net of Related Debt**  
Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Similar net assets are included in unrestricted net assets in the statements of the component units.
- **Restricted Nonexpendable**  
Net assets subject to externally imposed stipulations that they be maintained in perpetuity by CSUS. Similar net assets are referred to as permanently restricted net assets in the statements of the component units.
- **Restricted Expendable**  
Net assets whose use by CSUS is subject to externally imposed stipulations that can be fulfilled by actions of CSUS pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.
- **Unrestricted**  
Net assets that are not subject to externally imposed stipulations are considered unrestricted. Unrestricted net assets may be designated for the specific purpose by actions of management or the Board of Higher Education or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net assets will be utilized for support for academic and research programs and initiatives, and capital programs.

#### **Classification of Assets and Liabilities**

CSUS presents short-term and long-term assets and liabilities in the statement of net assets. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30, 2009 and 2008. 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, 2009 and 2008. Cash and cash equivalents and investments presented as short-term in the statement of net assets include balances with a maturity of one year or less from June 30, 2009 and 2008. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2009 and 2008 and balances that have externally imposed restrictions as to use.

# Connecticut State University System

## Notes to Combined Financial Statements

### June 30, 2009 and 2008

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Short-term liabilities include balances that are expected to be paid in one year or less from June 30, 2009 and 2008. Long-term liabilities include balances that are expected to be paid after one year from June 30, 2009 and 2008.

#### **Fair Value of Financial Instruments**

Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits. The fair value of bonds payable is estimated using discounted cash flow analyses, based on current borrowing rates for similar types of borrowing arrangements and approximate carrying value at June 30, 2009 and 2008.

#### **Cash, Cash Equivalents and Investments**

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

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

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

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

#### **Indirect Cost Recoveries**

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

#### **Inventories**

The Universities' inventories of \$915,333 and \$824,052 at June 30, 2009 and 2008, respectively, consist primarily of supplies for plumbing, maintenance, auto, carpentry, electrical and custodial, and are valued at cost. Inventories are included in prepaid expenses and other current assets in the statement of net assets.

#### **Investment in Plant**

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

Land improvements	20 years
Building and building improvements	5 - 40 years
Furniture, fixtures and equipment	5 - 15 years
Library materials	10 - 20 years

# Connecticut State University System

## Notes to Combined Financial Statements

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Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Department of Public Works ("DPW") of the State of Connecticut. When the project is complete and/or when title passes from DPW to CSUS, the entire cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Universities. Amounts recognized for such projects were \$49.5 million and \$25.4 million for the years ended June 30, 2009 and 2008, respectively.

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

#### **Deferred Bond Loan Costs**

Costs incurred with the issuance of bonds were capitalized and are being amortized by the interest method over the loan term. Amortization expenses for the years ended June 30, 2009 and 2008 were \$276,496 and \$301,627, respectively.

#### **Interest Capitalization**

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of \$11.1 million and \$10.4 million for the fiscal years ended June 30, 2009 and 2008, respectively. Interest capitalized for the fiscal years ended June 30, 2009 and 2008, totaled \$.6 million and \$.8 million, respectively. The cumulative capitalized interest was \$8.4 million and \$7.8 million as of June 30, 2009 and 2008, respectively. The capitalized interest is being amortized over 35 years. Amortization expense for the years ended June 30, 2009 and 2008 was \$.2 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 the State of Connecticut**

Accrued salaries and related fringe benefit costs for CSUS employees, whose salaries will be charged to the State of Connecticut General Fund totaled \$ 29.8 million and \$29.6 million as of June 30, 2009 and 2008, 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, 2009 and 2008, respectively.

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

#### **Deferred Revenues**

Deferred revenues consist primarily of tuition and fees that have been billed or collected at June 30, 2009 and 2008, but applicable to the 2009 or 2008 summer sessions held subsequent to June 30 or upcoming fall sessions. Direct charges related to these sessions are reported in the period the tuition and fees are recognized as income.

# Connecticut State University System

## Notes to Combined Financial Statements

### June 30, 2009 and 2008

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#### **Federal Loan Program Advances**

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

#### **Income Tax Status**

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

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at June 30, 2009 and 2008 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.

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

Cash and cash equivalents includes approximately \$82.4 million and \$65.8 million at June 30, 2009 and 2008, 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, 2009 and 2008 were .49% and 2.47%, respectively. CSUS operating funds held by the State that participated in the aforementioned program were \$145.5 million and \$ 151.1 million at June 30, 2009 and 2008, respectively.

**Connecticut State University System**  
**Notes to Combined Financial Statements**  
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The cost and fair value of cash, cash equivalents and investments at June 30 are:

	2009		2008	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 232,777,333	\$ 232,777,333	\$ 219,865,868	\$ 219,865,868
U.S. Mutual Funds- Governmental	23,905,764	23,905,764	18,865,739	18,865,711
Guaranteed Investment Contracts	15,692,741	15,692,741	21,865,086	21,865,086
U.S. Treasury Notes	574,608	582,333	554,041	556,662
	<u>\$ 272,950,446</u>	<u>\$ 272,958,171</u>	<u>\$ 261,150,734</u>	<u>\$ 261,153,327</u>

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

	2009		2008	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 7,566,624	\$ 7,566,624	\$ 4,184,190	\$ 4,184,190
Investments	53,000,577	44,465,058	55,673,837	55,102,673
	<u>\$ 60,567,201</u>	<u>\$ 52,031,682</u>	<u>\$ 59,858,027</u>	<u>\$ 59,286,863</u>

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

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

*Credit Risk* – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSUS is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSUS's guaranteed investment contracts was AA+, as rated by Standard & Poor's Ratings as of June 30, 2009.

*Custodial Credit Risk* – At June 30, 2009 and 2008, the carrying amount of CSUS's bank deposits was \$.2 million and (\$.8) million, respectively, as compared to bank balances of \$ 1.3 million and \$.9 million, respectively. The differences between the carrying amount and bank balances were primarily caused by deposits in transit and outstanding checks. Of such bank balances, \$.8 million and \$.3 million at June 30, 2009 and June 30, 2008, respectively, are covered by federal deposit insurance. The remaining balances of \$ .5 million at June 30, 2009 and \$.6 million at June 30, 2008 are uninsured and uncollateralized and therefore subject to custodial credit risk.

*Concentration of Credit Risk* – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. 85% of

**Connecticut State University System**  
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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, 2009 compared to 84% at the end of fiscal year 2008.

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

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

Debt Securities	2009 Investment Maturities (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	\$ 23,905,764	\$ 23,905,764		\$ -	\$ -
Guaranteed Investment Contracts	15,692,741	6,000			15,686,741
U.S. Treasury Notes	582,333		582,333		
	<u>\$ 40,180,838</u>	<u>\$ 23,911,764</u>	<u>\$ 582,333</u>	<u>\$ -</u>	<u>\$ 15,686,741</u>

Debt Securities	2008 Investment Maturities (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	\$ 18,865,711	\$ 18,865,711		\$ -	\$ -
Guaranteed Investment Contracts	21,865,086			6,014,707	15,850,379
U.S. Treasury Notes	556,662		556,662		
	<u>\$ 41,287,459</u>	<u>\$ 18,865,711</u>	<u>\$ 556,662</u>	<u>\$ 6,014,707</u>	<u>\$ 15,850,379</u>

**3. Receivables**

Accounts receivable consisted of the following at June 30:

	2009	2008
Student accounts receivable	\$ 161,175,896	\$ 146,537,424
Student loans receivable	13,995,211	13,638,664
Grants receivable	2,199,771	1,815,803
Miscellaneous receivables	1,738,610	1,065,225
	<u>179,109,488</u>	<u>163,057,116</u>
Less allowance for doubtful accounts	<u>(8,599,065)</u>	<u>(8,704,682)</u>
Net accounts receivable	<u>\$ 170,510,423</u>	<u>\$ 154,352,434</u>

Student accounts receivable above include \$147,618,040 and \$134,615,259 representing amounts included in deferred revenue at June 30, 2009 and 2008, respectively.

**Connecticut State University System**  
**Notes to Combined Financial Statements**  
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Accounts receivable of the Component Units consisted of the following at June 30:

	<b>2009</b>	<b>2008</b>
Contributions and other receivables	\$ 587,842	\$ 837,939
State matching contribution	<u>4,792</u>	<u>5,015</u>
Total contributions and other receivables	<u>\$ 592,634</u>	<u>\$ 842,954</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, 2009 and 2008. 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, 2009 and 2008, the allowance for uncollectible loans was \$2,744,809 and \$2,715,580, 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>2009</b>	<b>2008</b>
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	\$ 30,004,797	\$ 30,569,960
State appropriations for capital projects	<u>21,738,877</u>	<u>31,696,262</u>
	<u>\$ 51,743,674</u>	<u>\$ 62,266,222</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**  
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**6. Investment in Plant**

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

	Balance June 30, 2008	Year ended June 30, 2009		Balance June 30, 2009
		Additions	Retirements and Transfers	
<b>Capital assets not being depreciated:</b>				
Land	\$ 18,424,572	\$ -	\$ -	\$ 18,424,572
Capitalized collections	7,066,565	137,353	(3,000)	7,200,918
Construction in progress	17,870,040	7,015,200	(9,000,581)	15,884,659
Total capital assets not being depreciated	<u>\$ 43,361,177</u>	<u>\$ 7,152,553</u>	<u>\$ (9,003,581)</u>	<u>\$ 41,510,149</u>
<b>Other capital assets:</b>				
Land improvements	\$ 76,177,537	\$ 400,396	\$ -	\$ 76,577,933
Buildings and building improvements	1,005,337,978	66,854,389	(1,824,137)	1,070,368,230
Furniture, fixtures and equipment	125,417,229	12,990,930	(5,872,899)	132,535,260
Library materials	51,151,575	6,338,343	(9,006,472)	48,483,446
Total other capital assets	<u>1,258,084,319</u>	<u>86,584,058</u>	<u>(16,703,508)</u>	<u>1,327,964,869</u>
Less accumulated depreciation for:				
Land improvements	(31,406,522)	(3,720,830)	-	(35,127,352)
Buildings and building improvements	(335,015,620)	(31,334,091)	1,566,437	(364,783,274)
Furniture, fixtures and equipment	(74,089,895)	(11,636,559)	5,330,562	(80,395,892)
Library materials (Note 1)	(21,652,703)	(3,297,811)	767,223	(24,183,291)
Total accumulated depreciation	<u>(462,164,740)</u>	<u>(49,989,291)</u>	<u>7,664,222</u>	<u>(504,489,809)</u>
Other capital assets, net	<u>\$ 795,919,579</u>	<u>\$ 36,594,767</u>	<u>\$ (9,039,286)</u>	<u>\$ 823,475,060</u>
<b>Capital asset summary:</b>				
Capital assets not being depreciated	\$ 43,361,177	\$ 7,152,553	\$ (9,003,581)	\$ 41,510,149
Other capital assets, at cost	1,258,084,319	86,584,058	(16,703,508)	1,327,964,869
Total cost of capital assets	1,301,445,496	93,736,611	(25,707,089)	1,369,475,018
Less accumulated depreciation	<u>(462,164,740)</u>	<u>(49,989,291)</u>	<u>7,664,222</u>	<u>(504,489,809)</u>
Capital assets, net	<u>\$ 839,280,756</u>	<u>\$ 43,747,320</u>	<u>\$ (18,042,867)</u>	<u>\$ 864,985,209</u>
<b>Component Units</b>				
Total cost of capital assets	\$ 3,823,121	\$ 473,701	\$ -	\$ 4,296,822
Less accumulated depreciation	<u>(402,467)</u>	<u>(93,172)</u>	<u>-</u>	<u>(495,639)</u>
Capital assets, net	<u>\$ 3,420,654</u>	<u>\$ 380,529</u>	<u>\$ -</u>	<u>\$ 3,801,183</u>

**Connecticut State University System**  
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	Balance June 30, 2007	Year ended June 30, 2008		Balance June 30, 2008
		Additions	Retirements and Transfers	
<b>Capital assets not being depreciated:</b>				
Land	\$ 18,561,418	\$ -	\$ (136,846)	\$ 18,424,572
Capitalized collections	7,045,215	34,100	(12,750)	7,066,565
Construction in progress	33,690,720	14,890,936	(30,711,616)	17,870,040
Total capital assets not being depreciated	\$ 59,297,353	\$ 14,925,036	\$ (30,861,212)	\$ 43,361,177
<b>Other capital assets:</b>				
Land improvements	\$ 71,660,481	\$ 4,517,056	\$ -	\$ 76,177,537
Buildings and building improvements	953,172,364	54,329,195	(2,163,581)	1,005,337,978
Furniture, fixtures and equipment	116,081,936	15,344,740	(6,009,447)	125,417,229
Library materials	49,570,612	4,024,319	(2,443,356)	51,151,575
Total other capital assets	1,190,485,393	78,215,310	(10,616,384)	1,258,084,319
Less accumulated depreciation for:				
Land improvements	(27,730,466)	(3,676,056)	-	(31,406,522)
Buildings and building improvements	(308,680,118)	(28,105,350)	1,769,848	(335,015,620)
Furniture, fixtures and equipment	(68,592,806)	(10,478,410)	4,981,321	(74,089,895)
Library materials (Note 1)	-	(21,652,703)	-	(21,652,703)
Total accumulated depreciation	(405,003,390)	(63,912,519)	6,751,169	(462,164,740)
Other capital assets, net	\$ 785,482,003	\$ 14,302,791	\$ (3,865,215)	\$ 795,919,579
<b>Capital asset summary:</b>				
Capital assets not being depreciated	\$ 59,297,353	\$ 14,925,036	\$ (30,861,212)	\$ 43,361,177
Other capital assets, at cost	1,190,485,393	78,215,310	(10,616,384)	1,258,084,319
Total cost of capital assets	1,249,782,746	93,140,346	(41,477,596)	1,301,445,496
Less accumulated depreciation	(405,003,390)	(63,912,519)	6,751,169	(462,164,740)
Capital assets, net	\$ 844,779,356	\$ 29,227,827	\$ (34,726,427)	\$ 839,280,756
<b>Component Units</b>				
Total cost of capital assets	\$ 3,591,432	\$ 231,689	\$ -	\$ 3,823,121
Less accumulated depreciation	(309,562)	(92,905)	-	(402,467)
Capital assets, net	\$ 3,281,870	\$ 138,784	\$ -	\$ 3,420,654

**7. Accrued Compensated Absences**

Accrued compensated absences as of June 30, include:

	2009	2008
Accrued vacation	\$ 19,889,472	\$ 20,865,012
Accrued sick leave	5,751,813	6,044,383
Other accrued fringe benefits	6,320,644	6,396,869
	<u>31,961,929</u>	<u>33,306,264</u>
Less: current portion	<u>1,887,145</u>	<u>1,994,034</u>
Noncurrent portion	<u>\$ 30,074,784</u>	<u>\$ 31,312,230</u>

**Connecticut State University System**  
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Activity for compensated absences, as of June 30, includes:

<b>Balance as of June 30, 2007</b>	\$ 31,326,737
Additions in 2008	3,487,343
Retirements in 2008	<u>(1,507,816)</u>
<b>Balance as of June 30, 2008</b>	33,306,264
Additions in 2009	1,616,989
Retirements in 2009	<u>(2,961,324)</u>
<b>Balance as of June 30, 2009</b>	<u><u>\$ 31,961,929</u></u>

These accruals represent estimated amounts earned by all eligible employees through June 30, 2009 and 2008. 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, a portion of 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 at June 30, 2009 was approximately \$6.3 million. The liability at June 30, 2009 was all noncurrent and was included in other liabilities on the statements of net assets.

**8. Bonds, Notes Payable and Capital Lease Obligations**

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

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

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

In fiscal year 2009 portions of the September 1997 self-liquidating bonds were refunded. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The outstanding amount of the refunded bonds totaled approximately \$.2 million at June 30, 2009. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$30,000. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the refunding,

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

In fiscal year 2008 portions of the September 1997 and February 1998 self-liquidating bonds were refunded. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net assets. The outstanding amount of the refunded bonds totaled approximately \$6.1 million at June 30, 2008. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$.2 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the refunding, CSUS will reduce its aggregate debt service payments by approximately \$.4 million and achieve an economic gain of approximately \$.2 million.

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

<b>Issue Date</b>	<b>Type</b>	<b>2009</b>	<b>2008</b>
March 1993	Original	\$ 1,395,000	\$ 1,860,000
October 1993	Refunded	1,484,496	1,484,496
March 1994	Original	385	570
August 1994	Original	-	200
September 1997	Refunded	-	451,096
February 1998	Refunded	-	12,596
June 2001	Refunded	3,432,696	5,186,557
November 2001	Refunded	1,651,779	2,210,741
June 2002	Refunded	416,757	844,497
August 2002	Refunded	776,355	776,355
December 2003	Refunded	3,031,221	4,605,183
April 2005	Refunded	422,547	422,547
December 2007	Refunded	5,790,434	5,790,433
March 2009	Refunded	195,205	-
		<u>\$ 18,596,875</u>	<u>\$ 23,645,271</u>

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2010	4,745,402	969,067
2011	3,956,511	736,069
2012	3,605,892	505,298
2013	1,974,402	316,867
2014	1,572,030	201,202
2015-2017	2,742,638	187,492
	<u>\$ 18,596,875</u>	<u>\$ 2,915,995</u>

On March 15, 1997, CHEFA issued \$38.9 million of Series B Revenue Bonds on behalf of CSUS. The Bonds mature from 1997 through 2017 with interest rates varying from 4.5% to 5%. Payment

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of the principal of, and interest on, the bonds are due to the trustee on April 1 and October 1 of each year, is guaranteed by a municipal bond insurance policy.

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

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

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

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

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

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

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

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

**Connecticut State University System**  
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using the straight-line method. As a result of the defeasance, CSUS will reduce its aggregate debt service payments by approximately \$4.6 million and achieve an economic gain, (the difference between the present value of the old and new debt service payments), of approximately \$2.4 million.

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

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

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

	<b>2009</b>	<b>2008</b>
CHEFA Revenue Bonds Series B	\$ 1,860,000	\$ 1,860,000
CHEFA Revenue Bonds Series C	1,160,000	2,320,000
CHEFA Revenue Bonds Series D	11,535,000	15,380,000
CHEFA Revenue Bonds Series E	74,800,000	78,030,000
CHEFA Revenue Bonds Series F	39,265,000	43,505,000
CHEFA Revenue Bonds Series G	37,160,000	38,680,000
CHEFA Revenue Bonds Series H	48,340,000	48,350,000
CHEFA Revenue Bonds Series I	62,680,000	62,760,000
	<u>\$ 276,800,000</u>	<u>\$ 290,885,000</u>

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

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

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>
2010	14,180,000	11,737,869
2011	14,320,000	11,164,294
2012	14,405,000	10,569,869
2013	14,390,000	9,921,654
2014	14,555,000	9,284,484
2015-2019	68,685,000	36,432,784
2020-2024	56,735,000	22,068,294
2025-2029	37,150,000	11,922,362
2030-2034	40,290,000	4,080,981
2035-2036	2,090,000	84,400
	<u>\$ 276,800,000</u>	<u>\$ 127,266,991</u>

Long-term liability activity for the years ended June 30, 2009 and 2008 was as follows:

	<b>Year Ended June 30, 2009</b>			
	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2009</b>
Bonds payable	\$ 314,530,271	\$ 195,205	\$ (19,328,601)	\$ 295,396,875
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	1,805,758	29,487	(320,896)	1,514,349
Total bonds payable	<u>316,336,029</u>	<u>224,692</u>	<u>(19,649,497)</u>	<u>296,911,224</u>
Capital lease obligations	30,589	55,789	(46,527)	39,851
Deferred compensation	201,540	70,813	-	272,353
Total	<u>\$ 316,568,158</u>	<u>\$ 351,294</u>	<u>\$ (19,696,024)</u>	<u>\$ 297,223,428</u>

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

**Connecticut State University System**  
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Principal payments for the Component Units, consist of an unsecured note of \$ 119,000, bearing interest at 5.99% payable in monthly installments of \$518, with a maturity date of March 2015 and a note of \$28,448, bearing interest at 5.39% payable in monthly installments of \$858, with a maturity date of August 2011, are due as follows:

<b>Year</b>	<b>Principal</b>
2010	13,229
2011	14,794
2012	6,890
2013	5,506
2014	5,845
Thereafter	3,045
	<b>\$ 49,309</b>

Notes payable activity for the years ended June 30, 2009 and 2008 was as follows:

	<b>Year Ended June 30, 2009</b>			
	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2009</b>
Notes payable	\$ 34,310	\$ 28,448	\$ (13,449)	\$ 49,309

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

**9. Deferred Revenue**

Deferred revenue consists of the following at June 30, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Unearned tuition and fees	\$ 167,881,664	\$ 155,319,063
Grants and contracts	1,867,170	2,159,199
Other	116,575	122,942
	<b>\$ 169,865,409</b>	<b>\$ 157,601,204</b>

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

**Plan Description**

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

Employees hired before July 1, 1984 participate in the old (Tier 1) Plan, which includes employee contributions; other employees may participate in the Tier II or Tier IIA Plans. As of June 30, 2009, approximately twenty-seven percent (27%) of the CSUS workforce was covered under the Tier II or Tier II A Plans. CSUS makes contributions on behalf of the employees through a fringe benefit charge assessed by the State of Connecticut.

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

**Funding Policy**

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

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

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

Because of the cost-sharing arrangements CSUS has with other State departments and agencies, one actuarial valuation is performed for the State of Connecticut. As a result, the following information is not separately available for CSUS. Additionally, the information for fiscal year 2009 is not available as of the issue date of CSUS's financial statements and, therefore, the following information is as of June 30, 2008.

**Connecticut State University System**  
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The State's annual pension cost and net pension obligation for SERS as of June 30, 2008 are as follows (in thousands):

Annual required contribution	\$ 716,944
Interest on net pension obligation	198,247
Adjustment to annual required contribution	<u>(138,964)</u>
Annual pension cost	776,227
Contributions made	<u>711,555</u>
Increase in net pension obligation	64,672
Net pension obligation, beginning of year	<u>2,332,327</u>
Net pension obligation, end of year	<u>\$ 2,396,999</u>

Three year trend information (in thousands):

<b>Fiscal year</b>	<b>Annual pension cost (APC)</b>	<b>Percentage of APC contributed</b>	<b>Net pension obligation</b>
2006	685,473	90.9 %	2,271,249
2007	725,009	91.6 %	2,332,327
2008	776,227	91.7 %	2,396,999

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

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	24 years
Asset valuation method	5 year smoothed market
Actuarial assumptions	
Investment rate of return	8.25%
Projected salary increases (includes inflation of 4%)	4.0% - 20.0%
Cost of living adjustments	2.7% - 3.6%

**Connecticut State University System**  
**Notes to Combined Financial Statements**  
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Required Supplementary Information (in millions):

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded ratio	(c) Covered payroll	(b-a)/c UAAL as a percentage of covered payroll
6/30/03	8,058.6	14,223.8	6,165.2	56.7%	2,654.3	232.3%
6/30/04	8,238.3	15,128.5	6,890.2	54.5%	2,816.7	244.6%
6/30/05	8,517.7	15,987.5	7,469.8	53.3%	2,980.1	250.7%
6/30/06	8,951.4	16,830.3	7,878.9	53.2%	3,107.9	253.5%
6/30/07	9,585.1	17,888.1	8,303.0	53.6%	3,310.4	250.8%
6/30/08	9,990.2	19,243.4	9,253.2	51.9%	3,497.4	264.6%

**Other Post Employment Benefits**

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

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

During fiscal year 2008, CSUS adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"). However, as the State of Connecticut is legally responsible for any post-employment benefits, the standard had no impact on the CSUS financial statements as of June 30, 2009 and 2008. The liability for post-employment benefits will be recorded by the State of Connecticut, which has communicated to CSUS that CSUS should not record a liability associated with the post-employment benefits for its employees or retired employees.

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

**Connecticut State University System**  
**Notes to Combined Financial Statements**  
**June 30, 2009 and 2008**

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**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, 2009 and 2008. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net asset balances at June 30, 2009 and 2008 were as follows:

	<b>2009</b>	<b>2008</b>
System Office	\$ 665,607	\$ 1,279,462
Central Connecticut State University	9,201,702	3,626,335
Eastern Connecticut State University	2,926,147	4,279,400
Southern Connecticut State University	2,973,399	3,470,384
Western Connecticut State University	2,152,683	3,780,628
	<u>\$ 17,919,538</u>	<u>\$ 16,436,209</u>

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

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

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

	<b>2009</b>	<b>2008</b>
Cash balances held with the State of Connecticut on behalf of the universities (excluding STIF)	\$ 150,137,083	\$ 154,890,677
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	<u>82,424,913</u>	<u>65,758,214</u>
	<u>\$ 232,561,996</u>	<u>\$ 220,648,891</u>

**Connecticut State University System**  
**Notes to Combined Financial Statements**  
**June 30, 2009 and 2008**

**13. Natural Classification with Functional Classification**

The operating expenses by functional classification were as follows:

Year ended June 30, 2009									
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	\$ 40,077,218	\$ 1,201,506	\$ 1,146,751	\$ 1,263,910	\$ 534,719	\$ 4,019,138	\$ -	\$ -	\$ 48,243,242
Auxiliary enterprises	12,704,509	10,165,720	18,841,952	35,372	9,514,719	2,881,932	-	-	54,144,204
Institution support	70,791,932	6,130,939	582,107	441,717	3,136,988	8,129,919	-	-	89,213,602
Instruction	186,261,757	1,306,639	1,216,129	729,305	394,416	2,220,682	-	-	192,128,928
Physical plant	34,184,919	1,856,060	9,762	25,878	45,722,433	1,949,119	49,987,778	385,525	134,121,474
Public service	6,359,584	1,793,347	719,636	1,270,657	451,608	914,245	-	-	11,509,077
Research	2,152,635	308,052	625,388	317,804	70,908	282,735	-	-	3,757,522
Scholarships, loans and refunds	570,441	139,290	46,966,391	9,076	2,083	195,369	-	-	47,882,650
Student services	49,233,403	1,848,033	1,242,888	1,844,817	881,596	3,343,529	1,513	-	58,395,779
<b>Total expenses</b>	<b>\$ 402,336,398</b>	<b>\$ 24,749,586</b>	<b>\$ 71,351,004</b>	<b>\$ 5,938,536</b>	<b>\$ 60,709,470</b>	<b>\$ 23,936,668</b>	<b>\$ 49,989,291</b>	<b>\$ 385,525</b>	<b>\$ 639,396,478</b>

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

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**Supplemental Financial Information**  
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**Connecticut State University System**  
**Combining Statements of Net Assets**  
**June 30, 2009 with Comparative Totals as of June 30, 2008**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2009	2008
<b>Assets</b>								
<b>Current assets:</b>								
Cash and cash equivalents	\$ 48,319,482	\$ 2,803,188	\$ 43,729,791	\$ 19,758,936	\$ 12,587,892	\$ -	\$ 127,199,289	\$ 119,897,477
Investments	-	-	-	-	13,518,894	-	13,518,894	14,619,515
Student receivables	45,759,990	36,663,525	48,938,228	29,814,153	-	-	161,175,896	146,537,424
Allowance-doubtful student receivables	(1,026,201)	(1,686,912)	(1,486,818)	(1,512,492)	-	-	(5,712,423)	(5,672,327)
Student receivables, net	44,733,789	34,976,613	47,451,410	28,301,661	-	-	155,463,473	140,865,097
Student loans receivable	698,175	293,019	684,095	241,449	-	-	1,916,738	2,004,386
Grant receivables, net	701,638	399,360	680,101	276,839	-	-	2,057,938	1,499,028
Miscellaneous receivables, net	1,005,065	498,940	117,764	26,278	90,563	-	1,738,610	1,065,225
Due from the State of Connecticut	15,783,551	9,751,867	15,172,471	8,899,984	2,135,801	-	51,743,674	62,266,222
Due from SO and Universities	2,933	104,416	-	-	285,596	(392,945)	-	-
Prepaid expenses and other current assets	964,593	205,366	407,858	220,711	133,726	-	1,932,254	1,402,369
Total current assets	112,209,226	49,032,769	108,243,490	57,725,858	28,752,472	(392,945)	355,570,870	343,619,319
<b>Noncurrent assets:</b>								
Cash and cash equivalents	25,131,222	60,000	14,759,860	6,660,055	58,966,907	-	105,578,044	99,968,391
Investments	-	-	-	-	26,661,944	-	26,661,944	26,667,944
Due from SO and Universities	3,274,720	-	-	-	-	(3,274,720)	-	-
Student loans receivable	3,842,575	1,674,460	4,446,122	2,115,316	-	-	12,078,473	11,634,278
Allowance-doubtful loan receivables	(679,654)	(409,205)	(1,257,004)	(398,946)	-	-	(2,744,809)	(2,715,580)
Loans receivable, net	3,162,921	1,265,255	3,189,118	1,716,370	-	-	9,333,664	8,918,698
Other assets	-	50,228	143,433	119,890	2,413,736	-	2,727,287	3,271,628
Investment in plant	340,999,557	328,777,414	383,969,865	280,247,320	28,050,694	7,430,168	1,369,475,018	1,301,445,496
Accumulated depreciation	(145,719,576)	(95,396,734)	(151,390,932)	(92,649,975)	(19,332,592)	-	(504,489,809)	(462,164,740)
Investment in plant, net of accumulated depreciation	195,279,981	233,380,680	232,578,933	187,597,345	8,718,102	7,430,168	864,985,209	839,280,756
Total noncurrent assets	226,848,844	234,756,163	250,671,344	196,093,660	96,760,689	4,155,448	1,009,286,148	978,107,417
Total assets	\$ 339,058,070	\$ 283,788,932	\$ 358,914,834	\$ 253,819,518	\$ 125,513,161	\$ 3,762,503	\$ 1,364,857,018	\$ 1,321,726,736

**Connecticut State University System**  
**Combining Statements of Net Assets**  
**June 30, 2009 with Comparative Totals as of June 30, 2008**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2009	2008
<b>Liabilities</b>								
Current liabilities:								
Accounts payable	\$ 4,177,434	\$ 1,606,200	\$ 6,909,857	\$ 1,174,716	\$ 330,601	\$ -	\$ 14,198,808	\$ 11,756,671
Accrued salaries and benefits	17,448,692	7,699,422	16,732,195	7,797,748	900,366	-	50,578,423	47,592,160
Accrued compensated absences	530,013	416,936	484,215	314,580	141,401	-	1,887,145	1,994,034
Due to the State of Connecticut	365,126	1,230,671	339,622	1,298,006	1,070	-	3,234,495	2,929,797
Due to SO and Universities	68,923	72,872	101,332	42,469	107,349	(392,945)	-	-
Deferred revenue	52,134,535	33,491,519	54,404,622	29,834,733	-	-	169,865,409	157,601,204
Bonds payable	-	-	-	-	19,244,035	-	19,244,035	19,424,805
Accrued bond interest payable	-	-	-	-	2,029,269	-	2,029,269	2,104,453
Capital lease obligation	-	-	21,214	-	-	-	21,214	22,636
Other liabilities	1,035,716	54,167	1,909,790	160,883	462,911	-	3,623,467	3,758,933
Depository accounts	1,040,987	656,734	1,519,356	529,189	35	-	3,746,301	3,941,144
Total current liabilities	<u>76,801,426</u>	<u>45,228,521</u>	<u>82,422,203</u>	<u>41,152,324</u>	<u>23,217,037</u>	<u>(392,945)</u>	<u>268,428,566</u>	<u>251,125,837</u>
Noncurrent liabilities:								
Accrued compensated absences	9,173,829	5,315,290	8,660,268	5,113,745	1,811,652	-	30,074,784	31,312,230
Bonds payable	-	-	-	-	277,667,189	-	277,667,189	296,911,224
Due to SO and Universities	-	-	-	-	3,274,720	(3,274,720)	-	-
Federal loan program advances	3,136,752	1,459,188	3,549,051	1,632,106	-	-	9,777,097	9,777,097
Deferred compensation	-	-	-	-	272,353	-	272,353	201,540
Other liabilities - RIP	2,468,888	428,583	2,594,337	740,927	22,920	-	6,255,655	-
Capital lease obligation	-	-	18,637	-	-	-	18,637	7,953
Total noncurrent liabilities	<u>14,779,469</u>	<u>7,203,061</u>	<u>14,822,293</u>	<u>7,486,778</u>	<u>283,048,834</u>	<u>(3,274,720)</u>	<u>324,065,715</u>	<u>338,210,044</u>
Total liabilities	<u>91,580,895</u>	<u>52,431,582</u>	<u>97,244,496</u>	<u>48,639,102</u>	<u>306,265,871</u>	<u>(3,667,665)</u>	<u>592,494,281</u>	<u>589,335,881</u>
<b>Net Assets</b>								
Invested in capital assets, net of related debt	195,207,312	233,328,932	232,539,082	187,597,345	(191,535,924)	7,430,168	664,566,915	623,960,808
Restricted:								
Nonexpendable	-	60,000	524,426	977,986	112,073	-	1,674,485	1,047,116
Expendable	8,160,511	4,817,828	15,917,767	3,761,629	-	-	32,657,735	28,839,068
Unrestricted	<u>44,109,352</u>	<u>(6,849,410)</u>	<u>12,689,063</u>	<u>12,843,456</u>	<u>10,671,141</u>	<u>-</u>	<u>73,463,602</u>	<u>78,543,863</u>
Total net assets	<u>247,477,175</u>	<u>231,357,350</u>	<u>261,670,338</u>	<u>205,180,416</u>	<u>(180,752,710)</u>	<u>7,430,168</u>	<u>772,362,737</u>	<u>732,390,855</u>
Total liabilities and net assets	<u>\$ 339,058,070</u>	<u>\$ 283,788,932</u>	<u>\$ 358,914,834</u>	<u>\$ 253,819,518</u>	<u>\$ 125,513,161</u>	<u>\$ 3,762,503</u>	<u>\$ 1,364,857,018</u>	<u>\$ 1,321,726,736</u>

**Connecticut State University System**  
**Combining Statements of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2009 with Comparative Balances for the Year Ended June 30, 2008**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2009	2008
Operating revenues:								
Tuition and fees:								
Tuition and fees, gross	\$ 82,365,052	\$ 35,616,783	\$ 85,187,399	\$ 42,745,522	\$ 4,829,301	\$ -	\$ 250,744,057	\$ 233,061,866
Less:								
Scholarships allowance	5,066,761	3,393,653	6,640,112	2,877,069	-	-	17,977,595	17,278,355
Waivers	3,724,931	2,230,400	3,290,084	1,459,985	-	-	10,705,400	10,251,839
Debt service fee	7,456,178	4,017,220	7,623,029	4,476,306	(23,177,997)	(394,736)	-	-
Tuition and fees, net of scholarship allowances and waivers	66,117,182	25,975,510	67,634,174	33,932,162	28,007,298	394,736	222,061,062	205,531,672
Federal grants and contracts	17,262,479	4,386,079	8,253,591	3,906,994	86,617	-	33,895,760	31,351,608
State and local grants and contracts	5,869,746	2,176,344	5,807,901	2,205,784	13,150	-	16,072,925	15,266,943
Nongovernment grants and contracts	905,473	432,860	1,697,703	8,201	-	-	3,044,237	2,704,566
Indirect cost recoveries	475,954	257,489	432,484	14,261	-	-	1,180,188	689,376
Auxiliary revenues	22,645,851	21,843,671	21,448,159	14,706,620	4,206,452	-	84,850,753	78,981,651
Other operating revenues	8,381,332	8,759,027	15,443,376	5,099,676	12,955,958	(38,112,830)	12,526,539	15,532,482
Total operating revenues	121,658,017	63,830,980	120,717,388	59,873,698	45,269,475	(37,718,094)	373,631,464	350,058,298
Operating expenses:								
Personnel service and fringe benefits	123,726,894	70,954,560	128,356,544	68,960,568	10,337,832	-	402,336,398	379,749,922
Professional services and fees	8,149,271	3,611,834	7,716,538	3,621,911	1,650,032	-	24,749,586	24,536,615
Educational services and support	29,513,974	10,588,345	21,483,708	9,757,606	7,371	-	71,351,004	69,340,490
Travel expenses	2,623,949	760,240	1,651,457	830,136	72,754	-	5,938,536	7,124,652
Operation of facilities	26,751,468	15,852,432	23,838,128	13,475,660	19,271,506	(38,479,724)	60,709,470	63,135,226
Other operating supplies and expenses	6,360,086	4,198,630	5,586,188	4,679,402	2,717,626	394,736	23,936,668	24,310,011
Depreciation expense	12,990,592	11,342,481	14,400,253	9,408,695	1,847,270	-	49,989,291	42,259,816
Amortization expense	-	53,170	50,822	32,025	249,508	-	385,525	393,934
Total operating expenses	210,116,234	117,361,692	203,083,638	110,766,003	36,153,899	(38,084,988)	639,396,478	610,850,666
Operating income (loss)	\$ (88,458,217)	\$ (53,530,712)	\$ (82,366,250)	\$ (50,892,305)	\$ 9,115,576	\$ 366,894	\$ (265,765,014)	\$ (260,792,368)

**Connecticut State University System**  
**Combining Statements of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2009 with Comparative Balances for the Year Ended June 30, 2008**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2009	2008
Nonoperating revenues:								
State appropriations	\$ 73,286,101	\$ 41,022,565	\$ 70,874,136	\$ 43,902,657	\$ 9,229,187	\$ -	\$ 238,314,646	\$ 241,293,360
Gifts	389,301	81,869	85,813	145,014	-	-	701,997	834,868
Investment income	1,166,007	142,429	944,950	316,122	1,963,625	-	4,533,133	11,658,034
State financed plant facilities	683,842	48,300,000	-	552,898	-	-	49,536,740	25,364,105
Other nonoperating revenues	<u>385,110</u>	<u>452,462</u>	<u>1,061,288</u>	<u>653,757</u>	<u>-</u>	<u>-</u>	<u>2,552,617</u>	<u>2,794,161</u>
Net nonoperating revenues	<u>75,910,361</u>	<u>89,999,325</u>	<u>72,966,187</u>	<u>45,570,448</u>	<u>11,192,812</u>	<u>-</u>	<u>295,639,133</u>	<u>281,944,528</u>
Increase (decrease) in net assets before other revenues, expenses, gains and losses	(12,547,856)	36,468,613	(9,400,063)	(5,321,857)	20,308,388	366,894	29,874,119	21,152,160
State appropriations restricted for capital purposes	<u>4,570,121</u>	<u>4,162,057</u>	<u>2,624,112</u>	<u>279,308</u>	<u>(1,537,835)</u>	<u>-</u>	<u>10,097,763</u>	<u>24,838,554</u>
Net increase (decrease) in net assets	<u>(7,977,735)</u>	<u>40,630,670</u>	<u>(6,775,951)</u>	<u>(5,042,549)</u>	<u>18,770,553</u>	<u>366,894</u>	<u>39,971,882</u>	<u>45,990,714</u>
Net assets:								
Net assets - beginning of year	255,454,910	190,726,680	268,446,289	210,222,965	(199,523,263)	7,063,274	732,390,855	708,052,844
Cumulative effect of change in accounting principles: Adoption of depreciation for library materials	-	-	-	-	-	-	-	(21,652,703)
Net assets - beginning of year, as adjusted	<u>255,454,910</u>	<u>190,726,680</u>	<u>268,446,289</u>	<u>210,222,965</u>	<u>(199,523,263)</u>	<u>7,063,274</u>	<u>732,390,855</u>	<u>686,400,141</u>
Net assets - end of year	<u>\$ 247,477,175</u>	<u>\$ 231,357,350</u>	<u>\$ 261,670,338</u>	<u>\$ 205,180,416</u>	<u>\$ (180,752,710)</u>	<u>\$ 7,430,168</u>	<u>\$ 772,362,737</u>	<u>\$ 732,390,855</u>

**Connecticut State University System**  
**Combining Statements of Cash Flows**  
**June 30, 2009 with Comparative Totals as of June 30, 2008**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2009	2008
Cash flows from operating activities:								
Tuition and fees	\$ 65,591,854	\$ 26,406,270	\$ 67,297,156	\$ 33,331,730	\$ 3,660,233	\$ 394,736	\$ 196,681,979	\$ 183,109,577
Grants and contracts	23,870,990	6,773,806	15,521,436	6,037,194	99,767	-	52,303,193	49,403,732
Auxiliary revenues	22,222,570	20,522,499	21,267,254	14,657,191	4,206,452	-	82,875,966	78,865,771
Other operating revenues	8,841,777	10,016,258	15,898,965	4,892,057	12,880,773	(38,112,830)	14,417,000	17,198,932
Payments to employees for salaries and benefits	(120,953,191)	(69,265,805)	(125,781,113)	(68,692,346)	(10,167,781)	-	(394,860,236)	(375,465,650)
Payments to supplier	(1,643,406)	(1,978,650)	(1,719,309)	(2,312,458)	(60,149)	-	(7,713,972)	(7,425,292)
Professional services and fees	(8,031,261)	(3,578,932)	(7,696,766)	(3,695,898)	(1,650,032)	-	(24,652,889)	(24,345,905)
Educational services and support	(29,391,590)	(10,588,345)	(21,483,708)	(9,757,606)	(7,371)	-	(71,228,620)	(69,570,610)
Travel expenses	(2,774,797)	(760,240)	(1,651,457)	(830,136)	(72,754)	-	(6,089,384)	(7,009,199)
Operation of facilities	(26,020,621)	(15,852,432)	(19,736,895)	(13,475,660)	(19,551,810)	38,479,724	(56,157,694)	(62,993,990)
Other operating supplies and expenses	(4,255,582)	(2,790,170)	(5,270,341)	(2,660,742)	(2,766,862)	(394,736)	(18,138,433)	(15,347,408)
University fee receipts	-	-	-	-	23,177,997	-	23,177,997	21,739,655
Net cash provided (used) by operating activities	(72,543,257)	(41,095,741)	(63,354,778)	(42,506,674)	9,748,463	366,894	(209,385,093)	(211,840,387)
Cash flows from noncapital financing activities:								
State appropriations	73,288,040	43,120,159	71,118,979	43,476,691	9,252,749	-	240,256,618	234,463,193
Gifts for other than capital purposes	389,301	81,869	85,813	145,014	-	-	701,997	824,894
Nonoperating revenue other	322,954	452,462	1,061,288	653,757	-	-	2,490,461	2,776,641
Net cash provided by noncapital financing activities	\$ 74,000,295	\$ 43,654,490	\$ 72,266,080	\$ 44,275,462	\$ 9,252,749	\$ -	\$ 243,449,076	\$ 238,064,728

**Connecticut State University System**  
**Combining Statements of Cash Flows**  
**June 30, 2009 with Comparative Totals as of June 30, 2008**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2009	2008
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	-	-	-	-	\$3,039,657	-	\$3,039,657	\$12,921,694
Purchases of investments	-	-	-	-	(1,933,036)	-	(1,933,036)	(13,172,030)
Interest and dividends received on investments	1,500,167	142,429	1,181,413	316,122	1,963,625	-	5,103,756	12,490,695
Net cash provided by investing activities	1,500,167	142,429	1,181,413	316,122	3,070,246	-	6,210,377	12,240,359
Cash flows from capital and related financing activities:								
Cash paid for capital assets	(5,490,209)	(6,437,263)	(11,202,431)	(1,869,389)	(953,872)	(366,894)	(26,320,058)	(33,685,190)
State capital appropriations received	4,570,121	4,162,057	5,292,514	2,999,004	1,037,376	-	18,061,072	22,313,678
Proceeds of new bond issuance	-	-	-	-	29,487	-	29,487	204,371
Repayments of capital debt and leases	-	-	-	-	(19,133,396)	-	(19,133,396)	(18,668,463)
Capital grants and gifts received	-	-	-	-	-	-	-	9,975
Net cash provided (used) by capital and related financing activities	(920,088)	(2,275,206)	(5,909,917)	1,129,615	(19,020,405)	(366,894)	(27,362,895)	(29,825,629)
Net increase in cash and cash equivalents	2,037,117	425,972	4,182,798	3,214,525	3,051,053	-	12,911,465	8,639,071
Cash and cash equivalents, beginning of year	71,413,587	2,437,216	54,306,853	23,204,466	68,503,746	-	219,865,868	211,226,797
Cash and cash equivalents, end of year	\$ 73,450,704	\$ 2,863,188	\$ 58,489,651	\$ 26,418,991	\$ 71,554,799	\$ -	\$ 232,777,333	\$ 219,865,868

**Connecticut State University System**  
**Combining Statements of Cash Flows**  
**June 30, 2009 with Comparative Totals as of June 30, 2008**

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2009	2008
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (88,458,217)	\$ (53,530,712)	\$ (82,366,250)	\$ (50,892,305)	\$ 9,115,576	\$ 366,894	\$ (265,765,014)	\$ (260,792,368)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	12,990,592	11,342,481	14,400,253	9,408,695	1,847,270	-	49,989,291	42,259,816
Bad debt write-offs	93,118	-	-	-	-	-	93,118	389,222
Amortization	-	53,170	50,823	32,025	249,507	-	385,525	393,934
Changes in assets and liabilities:								
Receivables	(6,742,546)	(5,429,925)	(1,551,448)	(2,450,587)	(76,601)	-	(16,251,107)	(34,959,455)
Prepaid expenses and other	(205,751)	21,846	5,515	(212,791)	91,149	-	(300,032)	(322,738)
Accounts payable	1,025,075	(615,122)	2,564,218	(480,353)	(51,681)	-	2,442,137	2,788,155
Accrued salaries	869,203	618,707	873,430	409,652	215,271	-	2,986,263	3,440,283
Other liabilities	2,890,103	418,581	2,722,375	349,917	(371,850)	-	6,009,126	(2,882,864)
Due from State of Connecticut	75,647	353,954	(145,679)	21,022	-	-	304,944	586,167
Due to/from Universities	(516)	1,195,990	28,684	(73,987)	(1,150,171)	-	-	-
Deferred revenues	5,509,179	4,125,619	911,207	1,718,200	-	-	12,264,205	35,391,038
Deferred compensation	-	-	-	-	70,813	-	70,813	67,187
Deposit accounts	50,892	29,071	(101,249)	(173,710)	153	-	(194,843)	(24,117)
Accrued bond interest payable	-	-	-	-	(75,184)	-	(75,184)	(154,173)
Accrued compensated absences	(640,036)	320,599	(746,657)	(162,452)	(115,789)	-	(1,344,335)	1,979,526
Net cash provided (used) by operating activities	\$ (72,543,257)	\$ (41,095,741)	\$ (63,354,778)	\$ (42,506,674)	\$ 9,748,463	\$ 366,894	\$ (209,385,093)	\$ (211,840,387)
Noncash investing, noncapital financing and capital and related financing transactions:								
Fixed assets acquired by incurring capital leases	\$ -	\$ -	\$ 55,789	\$ -	\$ -	\$ -	\$ 55,789	\$ 253,847
Fixed assets included in accounts payable	\$ 1,012,504	\$ 344,002	\$ 4,509,237	\$ 78,953	\$ 55,108	\$ -	\$ 5,999,804	\$ 1,134,987
Reconciliation of cash and cash equivalents to the combined statements of net assets:								
Cash and cash equivalents classified as current assets	\$ 48,319,482	\$ 2,803,188	\$ 43,729,791	\$ 19,758,936	\$ 12,587,892	\$ -	\$ 127,199,289	\$ 119,897,477
Cash and cash equivalents classified as noncurrent assets	25,131,222	60,000	14,759,860	6,660,055	58,966,907	-	105,578,044	99,968,391
	\$ 73,450,704	\$ 2,863,188	\$ 58,489,651	\$ 26,418,991	\$ 71,554,799	\$ -	\$ 232,777,333	\$ 219,865,868