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Connecticut State Colleges and Universities

Report to the Board of Regents

December 17, 2013

pwc

To the Board of Regents
of the Connecticut State Colleges and Universities

December 17, 2013

Dear Board of Regents:

We have substantially completed our audits of the combined financial statements of Connecticut Community Colleges ("CCC") and the combined financial statements of Connecticut State University System ("CSUS") for the year ended June 30, 2013 and will issue our report thereon.

This report on our audit sets forth the matters which we believe are appropriate to communicate to you in accordance with auditing standards generally accepted in the United States of America.

This report has been prepared in advance of our meeting and prior to the completion of procedures. Other matters of interest to the Board of Regents may arise which we will bring to your attention at our meeting.

Our comments on internal control matters are included in the Report to Management under separate cover.

We look forward to meeting with you to present this report, address your questions, and discuss any other matters of interest to the Board of Regents.

Please contact Ray Vicks at (617) 530-5483 or Shannon Smith at (860) 241-7442 with any questions you may have.

Very truly yours,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103-3404
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Contents

Executive Summary

This document outlines the results of our audits of the combined financial statements of CCC and the combined financial statements of CSUS as of and for the year ended June 30, 2013.

The following topics are discussed in the accompanying report:

- We have substantially completed our audits and plan to issue unqualified opinions. We have the following open items which are expected to be completed shortly, including:
  - Representation letters
  - Subsequent events review
- Based on the results of our audit procedures to date, we are not aware of any material modifications that should be made to the CCC or CSUS combined financial statements.
- Use of new AICPA report (unqualified opinion) which more fully describes procedures and responsibilities.
- Implementation of new Governmental Accounting Standards Board ("GASB") Statements effective June 30, 2013
- We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined within the accompanying Report to Management, under separate cover.
- Consistent with prior years, we did not audit the financial statements of the affiliated College foundations of CCC or University foundations of CSUS. Those statements were audited by other auditors whose reports have been furnished to us, and which we refer to in our opinion of CCC's combined financial statements and the combined financial statements of CSUS.
- CSU issued State of Connecticut Health and Educational Facilities Authority $34,060,000 Revenue Bonds.
- Required communications to the Board of Regents and the Audit Committee.

Areas of Audit Emphasis

We have outlined below our areas of audit focus, based on our cumulative knowledge of the CCC and CSUS, used in determining risk, materiality and the significance of various judgments.

Overall Audit Risk Assessment

As discussed with the Committee in June, our audit approach is a top-down, risk-based approach, which we reassess throughout the audit process.

We emphasize certain recurring areas in our audit because of their potential significant impact on your financial results. Such audit areas are subject to critical accounting policies and/or significant judgment and estimation, and are key considerations as we develop our audit approach. These higher risk areas, in our judgment, require special audit consideration because of the nature of the risk (higher inherent risk), the likely magnitude of a potential misstatement (including the possibility that the risk may give rise to multiple misstatements) and the likelihood of the risk occurring.

As part of our annual audit process, we classify financial statement risks as a significant risk, elevated risk, or normal risk of material misstatement. This helps us to further focus our attention on those areas that are of greater risk. For the 2013 audit, consistent with our communication in June 2013, we identified the risk of management override of the control environment and the risk of fraud in revenue recognition as significant risks as indicated below. All other audit areas are judged to be normal risk.

Accounts Receivable other than State

- Gross student accounts receivable totaled $5.7 million for CCC at June 30, 2013 ($5.0 million at June 30, 2012).

- Gross student accounts receivable totaled $183.6 million for CSUS at June 30, 2013 ($177.3 million at June 30, 2012).

- Gross other receivables (consisting primarily of third party and governmental contracts) totaled $6.8 million for CCC at June 30, 2013 ($4.0 million at June 30, 2012).

- Gross other receivables (consisting primarily of third party and governmental contracts) totaled $20.8 million for CSUS at June 30, 2013 ($18.8 million at June 30, 2012).

- CCC has recorded a reserve for potentially uncollectible student accounts receivable which was $1.9 million each at June 30, 2013 and 2012, respectively. We tested management's reserve model, as well as performed analytics, and concluded that the reserve is reasonable. The allowance provided was determined using a consistent methodology.

- CSUS has recorded a reserve for potentially uncollectible receivables (student accounts receivables, student loans receivables, and grants receivables) which totaled $7.2 million and $6.5 million at June 30, 2013 and 2012, respectively. We tested management's reserve model, as well as performed substantive analytics, and concluded that the reserves are reasonable. The allowances provided were determined using a consistent methodology.

- All student accounts receivable greater than one year old are fully reserved at CCC and CSUS.

- CCC and CSUS should continue to focus on their reserve for uncollectible accounts and make adjustments as necessary considering the current credit environment and the ability of their students to pay their tuition.

Accounts Receivable due from State

- Accounts receivable due from the State totaled $24.1 million for CCC at June 30, 2013 ($23.4 million at June 30, 2012). All of the receivables due from the State represent employee salary and fringe benefit expenses accrued at June 30, 2013, consistent with prior year.

- Accounts receivable due from the State totaled $34.5 million for CSUS at June 30, 2013 ($32.8 million at June 30, 2012). Approximately $21.6 million of these receivables due from the State represent employee salary, fringe benefit expense and interest income accrued at June 30, 2013 while the remaining $12.9 million represent state appropriations for capital projects.

- We agree with management's conclusion that there is no allowance necessary on the receivable due from the State for CCC or CSUS.

Capital Assets

- Additions to property, plant and equipment totaled $34.7 million for CCC in fiscal year 2013. We tested a sample of additions for appropriate capitalization and the accounting for certain construction projects.

- Additions to property, plant and equipment totaled $156.5 million for CSUS in fiscal year 2013. We tested a sample of additions for appropriate capitalization and the accounting for certain construction projects.

- CCC is required to utilize the Connecticut's Department of Construction Services ("DCS") for management of construction projects greater than $2 million. Bond funds held on CCC's behalf at June 30, 2013 were $41.5 million and are reflected as cash and cash equivalents on CCC's statement of financial position. CCC also reflected $24.8 million in construction in progress fund additions that were confirmed with DCS as of June 30, 2013.

- Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by DCS. When projects are complete and/or when title passes from DCS to CSUS, the entire cost value of the project is recognized as non-operating revenue and recorded as an addition in investment in plant by the Universities. Amounts recognized for such projects were $39.9 million and $2.9 million as of June 30, 2013 and 2012, respectively.

Cash and Cash Equivalents

- CCC's Primary Institution carrying value of cash and cash equivalents totaled $182.6 million at June 30, 2013 ($199.3 million at June 30, 2012). This 8.4% decrease is primarily due to a reduction in DCS administered funds in the current year for various construction projects at the colleges.

- CCC's Cash and cash equivalents was comprised of:
  - $1.4 million in restricted agency accounts for student activity, institutional welfare and student loans;
  - $77.7 million in restricted and unrestricted operating funds;
  - $62.0 million in agency-administered bond appropriations; and
  - $41.5 million in DCS-administered bond appropriations.
- The carrying value of cash and cash equivalents for CSUS totaled $309.3 million at June 30, 2013 ($302.1 million at June 30, 2012), a 2.4% increase from the prior year.

Accrued Compensated Absences

- Employees earn the right to be compensated during absences for vacation and sick leave.
- The financial statements include CCC's estimated liability for compensated absences of approximately $40.5 million and $40.2 million at June 30, 2013 and 2012, respectively (reflects a 0.9%increase). This increase is attributable to an increase in rate assumptions as dictated by the State of Connecticut.
- The financial statements include CSUS's estimated liability for compensated absences of approximately $38.7 million and $36.3 million at June 30, 2013 and 2012, respectively (reflects a 6.6% increase). This increase is primarily attributable to an increase in rate assumptions as calculated by management.

Bonds Payable

- During fiscal year 2013, CSU issued State of Connecticut Health and Educational Facilities Authority $34,060,000 Revenue Bonds, Connecticut State University System Issue, Series M. We performed procedures over the bond offering documents and provided an inclusion letter. The proceeds were used for residential buildings and parking facilities.

Net Position

- During fiscal year 2013, CCC's total net position increased $500 thousand, or 0.06 %. This was mainly driven by growth at the colleges for various construction projects.
- During fiscal year 2013, CSUS's total net position increased $97.2 million, or 10.9%. This was mainly driven by an increase in invested capital assets, net of related debt.

Current Economic Risks

- CCC and CSUS are required to hold cash and short-term investment funds ("STIF") with the State of Connecticut. The State has informed CCC that the STIF account earned 0.16% for the twelve months ended at June 30, 2013, compared with benchmark returns of 0.05%.

Legal Risks

- CCC recorded a liability of approximately $1.6 million as of June 30, 2013 for settlement of an outstanding legal matter.

Financial Reporting - Foundations

- The financial statements of the affiliated College foundations of CCC and University foundations of CSUS are audited by other auditors whose reports are furnished to us and which we refer to in each of our opinions.
    - Certain prior year affiliated College foundation amounts of CCC were restated in the current year.
    - Management has responsibility to oversee the financial reporting of the foundations as it relates to the combined financial statements of CCC and the combined financial statements of CSUS.

The following lists our areas of audit emphasis, the key procedures in each area and results of our audit procedures:

N	Normal Risk	E	Elevated Risk	S	Significant Risk

	Audit Area	Risk Factors	Audit Approach	Results
S	Management override of controls	■ Management may enter into transactions that are not authorized or do not have an underlying business purpose. ■ Management may record entries not supported by underlying transactions. ■ Management may bias estimates.	■ Perform testing of recorded journal entries. ■ Testing of manual entries. ■ Substantive testing over material estimates. ■ Understanding and testing material, non-recurring transactions, if any.	■ Procedures were executed as planned, no exceptions noted. ■ We performed testing of recorded journal entries for both CCC and CSUS, including manual journal entry testing. No exceptions noted. ■ All material estimates for CCC and CSUS were tested. No exceptions noted. ■ No non-recurring transactions were noted for CCC in the current year. ■ A bond offering was completed during the year for CSU and offering documents were reviewed for consistency with the financial statements.

	Audit Area	Risk Factors	Audit Approach	Results
S	Risk of fraud in revenue	■ Revenue may be recorded for non-existent transactions. ■ Revenue may be accelerated before its appropriate recognition period. ■ Revenue may be recorded that does not meet all the criteria for revenue recognition.	■ Testing of tuition revenue and student fees revenue by testing student accounts for existence. ■ Testing a sample of net tuition and fees charged to a selection of students and verifying cash receipt. ■ Testing of appropriations received from the State. ■ Testing of other revenue by tracing back to contracts or cash receipts.	■ Procedures were executed as planned, no exceptions noted. ■ CCC – We performed substantive analytical procedures over tuition revenue. We performed detailed testing over student fees revenue and net tuition and fees for selection of students noting no exceptions. ■ CSUS - We performed substantive analytical procedures over gross tuition revenues and performed detailed testing over scholarships and waivers by obtaining a copy of signed agreement or by verifying cash application to the student bill. No exceptions noted. ■ We tested student head count and enrollment data to ensure that our basis for gross tuition and room and board analytics was

	Audit Area	Risk Factors	Audit Approach	Results
				reasonable. No exceptions noted. ■ We tested other operating revenue accounts. No exceptions noted. ■ We tested and vouched 100% of appropriations received from the State. No exceptions noted. ■ We substantively tested grant expenditures and the corresponding federal state, and local draw downs. No exceptions noted.
N	Cash and cash equivalents	■ Existence and accuracy of cash balance. ■ Risk of fraud as cash is collected at a cashier window at each of the Colleges; there is a risk that a cashier receives the tuition payment but does not record the payment in the system.	■ Externally confirm all ending cash balances and perform bank reconciling items testing. ■ Inquire regarding STIF account's short-term investments. ■ Confirm Department of Construction Services ("DCS") account balances.	■ Procedures were executed as planned, no exceptions noted. ■ We requested confirmation of 100% of cash accounts. We received responses for all accounts. No exceptions noted. ■ We tested the reconciliation between the third party confirmations

	Audit Area	Risk Factors	Audit Approach	Results
				and the general ledger. No exceptions noted. ■ We performed inquiry procedures regarding the STIF account. No exceptions noted. ■ We confirmed DCS account balances and reconciled to CCC and CSUS balances. No exceptions noted.
N	Investments – CSUS only	■ Existence, accuracy and valuation of investments.	■ Externally confirm all ending investment balances.	■ Procedures were executed as planned, no exceptions noted. ■ We requested confirmation of 100% of investments. We received responses for all accounts. No exceptions noted.

	Audit Area	Risk Factors	Audit Approach	Results
N	Accounts receivable	■ Account receivable balances may not be accurate or collectible.	■ Evaluate aged balances and the need to reserve such balances, subsequent cash receipts and past write-off history. ■ Test reconciliation between the student accounts receivable detailed listing and general ledger. ■ Assess the reasonableness of management's estimates for bad debts by evaluating the current year's methodology, assessing the adequacy of the prior year's estimates and substantive analytics.	■ Procedures were executed as planned, no exceptions noted. ■ We tested the reconciliation between the student accounts receivable detailed listing and the general ledger. No exceptions noted. ■ We evaluated aged balances and the need to reserve such balances, subsequent cash receipts and past write-off history. ■ We assessed the reasonableness of management's estimates for bad debts by evaluating the current year's methodology, assessing the adequacy of the prior year's estimates and performing substantive analytics. No exceptions were noted.

	Audit Area	Risk Factors	Audit Approach	Results
N	Property, plant and equipment	■ Newly capitalized assets may not exist. ■ Depreciation expense may not be accurate. ■ CSUS - Capitalized interest on constructed assets may not be accurate or calculated in accordance with GAAP.	■ Review capitalization thresholds. ■ Test fixed asset additions and disposals. ■ Test repairs and maintenance expenses on fixed assets to determine if any should be capitalized. ■ Test depreciable lives and depreciation expense for a sample of assets. ■ CSUS only – Test interest capitalized on constructed assets.	■ We reviewed capitalization thresholds noting that capitalization thresholds are in accordance with GAAP. ■ We tested additions and disposals individually at each CSUS University and CCC in aggregate. No exceptions noted. ■ We performed substantive analytical procedures to determine the reasonableness of repairs and maintenance expense at CSUS. We tested a sample of repairs and maintenance expense transactions for CCC and identified an approximate $1.5 million audit difference which was subsequently recorded for amounts which were improperly recorded as expense which should have been capitalized. ■ We tested the

	Audit Area	Risk Factors	Audit Approach	Results
				depreciable lives and depreciation expense for a sample of assets at each individual University and CCC in aggregate. No exceptions noted. ■ We tested the interest capitalized on assets and noted no exceptions.
N	Net position	■ CCC and CSUS may not be in compliance with gift restrictions and may not allocate this income to the appropriate restriction or fund.	■ Test classification of invested in capital assets, restricted – nonexpendable, restricted-expendable, and unrestricted net position. ■ Test compliance with donor restrictions related to gifts and pledges. ■ Test release from restriction.	■ Procedures were executed as planned, no exceptions noted. ■ We tested CCC's and CSUS's classification of invested in capital assets, restricted – nonexpendable, restricted-expendable, and unrestricted net position. No exceptions noted.

	Audit Area	Risk Factors	Audit Approach	Results
N	Accounts payable	■ Accuracy of cut-off related to accounts payable and accrued liabilities.	■ Test cut-off of accounts payable at June 30, 2013.	■ Procedures were executed as planned, no exceptions noted. ■ We tested cut-off of accounts payable at June 30, 2013 by performing a search for unrecorded liabilities. No exceptions noted. ■ We tested the reconciliation between the accounts payable detailed listing and general ledger. No exceptions noted. ■ Performed unpredictability procedures over the expense reimbursements for a selection of highly compensated individuals. No exceptions noted.

	Audit Area	Risk Factors	Audit Approach	Results
N	Accrued Compensated Absences	■ There is some valuation risk associated with accrued compensated absences. Accrued vacation and sick pay is estimated by management based on sick pay benefits and assumptions regarding the percentage of employees who will stay to retirement. The fringe rate used from the compensated absences accrual is determined by the State of Connecticut and provided to CCC and CSUS.	■ Management has controls in place over payroll to ensure proper tracking of vacation and sick days and assumptions used in calculating the sick pay accrual are reevaluated periodically. ■ The engagement team recalculated the liability pertaining to individual's sick pay benefits. ■ For a sample of employees, the accrued compensated absence amount is tested to payroll files and outstanding sick and vacation days as of June 30.	■ Procedures were executed as planned, no exceptions noted. ■ We tested the accrual for compensated absences. There were no exceptions at CCC and no significant exceptions at CSU.
N	Bonds Payable - CSUS Only	■ CSUS may not be in compliance with its debt covenants. ■ Accounting for new debt and related costs may be inaccurate.	■ Review of new debt agreements and related accounting of transactions. ■ Test of compliance with debt covenants. ■ Confirm debt balances with holders.	■ Procedures were executed as planned, no exceptions noted. ■ We reviewed covenants, noting compliance with debt agreements. ■ We confirmed balances with third parties. No

	Audit Area	Risk Factors	Audit Approach	Results
				exceptions noted ■ We reviewed the entry booked by management to record the Series M bond transaction. No exceptions noted.
N	Salaries/ payroll expense	■ Payroll costs or deductions may not be appropriately recorded. ■ Existence and accuracy of payroll expense and the amount of accrued payroll.	■ Perform analytical procedures over the reasonableness of payroll expense. ■ For a sample of employees, test accrued salaries and payroll expense to determine accuracy of account balance.	■ Procedures were executed as planned, no exceptions noted. ■ We tested a sample of payroll transactions for accuracy, existence and cutoff. No exceptions noted. ■ Payroll expense is reasonably stated as of year-end.
N	Other expenses	■ Other expenses may not be appropriately recorded. ■ Existence and accuracy of other expenses.	■ Test other expenses, as applicable.	■ We tested classification of other expenses for a sample of other expenses. No exceptions noted. ■ We relied on other audit testing as referenced above for comfort over the existence and accuracy of other expenses.
N	Internal control structure	■ Impact of potential organizational changes on the internal control	■ Understand organizational changes and their impact to	■ Procedures were executed as planned. ■ We obtained an

	Audit Area	Risk Factors	Audit Approach	Results
		structure and financial reporting.	the current operational and monitoring controls at both the individual college level as well as at the System Office.	understanding of all changes to controls as further discussed below.
N	Information technology	■ Access to information technology systems may be unauthorized ■ Changes/enhancements to financially significant applications and databases may not be properly requested and authorized prior to implementation in production.	■ Evaluate the design and operating effectiveness of CCC and CSUS's information technology general controls focusing on security, program changes and data backup management. ■ Conduct walkthroughs of each key area. Assess risks and determine testing requirements. ■ Provide comments and observations on the information technology general controls.	■ Procedures were executed as planned. ■ We developed an understanding of CCC's and CSUS's information technology general controls focusing on security and restricted access to the general ledger accounts. ■ Information Technology Management Letter Comments were issued to CCC, CSUSO, SCSU and WCSU. See separate document for further details.

IT Observations Summary

See separate letter for our internal control observations and management's responses for CCC and CSUS.

- Applied a consistent IT audit approach across the four universities and the System Office (i.e., CSUS & CCC)
- Prior Year Observations Summary:
  - 30% of prior year observations were closed across CSUS
  - 70% continue to remain open
- Current Year Observations Summary:
  - Five (5) new observations were identified across CSUS/CCC in 2013
- Key Observation Themes
  - Review of User & Data Center Access Rights
  - Perform Change Management Review (Direct Data, Program & Infrastructure)
  - Segregation of Duties of Access - Developer Access to Production
  - Revocation of Terminated User Access

Legend:

"PY" = Prior Year (2012) Observation – Status in this column applies to observations included in the prior year audit report (asterisk indicates multi-year observation).

"CY" = Current Year (2013) Observation – Status of new observations made for FY2012.

"C" = Observation is Closed.

"IP" = In Progress. The observation is open; however, progress has been made towards resolution per developed action plans.

"O" = Open. Observation is applicable and a related action plan is in place. Please refer to the Management Letter Comments of each university for management responses.

		CSUS Locations											
Domain	Observation Theme	CCC		System Office		Western		Central		Southern		Eastern	
		PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY
Entity Level Controls	Update IT Strategic Plan									IP			
Access to Programs and Data	Use of Generic Administrative IDs									IP			
	Enhance User Termination Controls Process					C				IP			
	Review Data Center Access on a Periodic Basis			IP			O						
	Enhance Periodic Review of Banner Access		O				O	C					
	Rename Windows Administrator Account and Change Password	IP											

		CSUS Locations											
Domain	Observation Theme	CCC		System Office		Western		Central		Southern		Eastern	
		PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY
Change Management	Developer Segregation of Duties									IP			
	Enhance Audit Logging of Direct Data and/or Program Changes to Banner		O										
	Formalize the Infrastructure and Firewall Change Management Process			C			O						
Computer Operations	Develop Disaster Recovery/ Business Continuity Plan	IP											

Required Communications to the Audit Committee

Matter to be communicated	Auditor's response
Relationships between PwC (or any affiliates of the Firm) and CSU and CCC (and its affiliates) and other matters that might reasonably be thought to bear on independence	There were no relationships or other matters identified that might reasonably be thought to bear on independence. See separate Independence letter.
Significant issues discussed with management prior to appointment or retention	There were no significant issues discussed with management in connection with the retention of PwC.
Terms of the audit engagement	The terms of the audit engagement, including the objective of the audit and management's and our responsibilities, are set forth in our engagement letter dated June 13, 2013 for CSUS and in the contract that was signed by the Connecticut Attorney General's Office during 2008, as amended June 21, 2013.
Obtain information relevant to the audit	We will inquire of the Board of Regents about whether it is aware of matters relevant to the audit and about the risks of material misstatement.
Summary audit strategy	We communicated to the Board of Regents the planned audit strategy, including the timing of the audit and the significant risks identified. Matters included in the overall audit strategy include, among other matters, involvement of specialists and the extent of use of the work of internal audit.
Perspectives on fraud risks	We will inquire of the Board of Regents to obtain its views on the risk of fraud and whether the Board has knowledge of any fraud, alleged fraud, or suspected fraud affecting CSU or CCC. We will discuss how the Board of Regents exercises oversight of CSU's and CCC's assessment of the risks of fraud and their antifraud programs and controls (specifically as it relates to the potential for management to override controls).
Fraud	We did not identify any potential or known fraud.
Illegal acts	We did not identify any potential illegal acts.

Required Communications to the Audit Committee
(continued)

Accounting policies and practices, critical accounting estimates and significant unusual transactions	All significant accounting policies have been disclosed in CCC's and CSUS's financial statements. In the current year, CCC and CSUS adopted ■ GASB Statement No. 63, Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position ■ GASB Statement No. 65, Items Previously Reported as Assets and Liabilities We consider CCC's and CSUS's selection of accounting principles to be appropriate and consistently applied as compared with those policies applied in the preparation of the financial statements as of and for the year ended June 30, 2013. Nothing came to our attention that would indicate that CCC's and CSUS's accounting and disclosure principles were not of sound quality or were inconsistently applied. During the year, we have not discussed with management any significant alternative treatments for accounting policies and practices. Accounting estimates were made in the ordinary course of business. The more significant areas requiring the use of judgment and estimates are the following: ■ Allowance for Student Accounts and Loan Receivable ■ Employee Compensated Absences ■ Useful lives of property and equipment We have tested management's estimates and have concluded that they are reasonable. No significant changes to the processes used to develop critical accounting estimates were identified in comparison to the prior year. We did not identify any inappropriate management bias related to critical accounting estimates and concluded management made reasonable judgments. No significant unusual transactions were identified.
Quality of the Entities' financial reporting	We have communicated to the Committee our views about qualitative aspects of CSU's and CCC's significant accounting policies and practices, including; ■ The appropriateness of the significant accounting policies to the particular circumstances of the Entities.

Required Communications to the Audit Committee
(continued)

	■ The results of our evaluation of the differences between (i) estimates best supported by the audit evidence and (ii) estimates included in the financial statements, which are individually reasonable, that indicate a possible bias on the part of the company's management, ■ The basis for our conclusions regarding the reasonableness of the critical accounting estimates, ■ The results of our evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial reporting framework, including our consideration of the form, arrangement, and content of the financial statements (including the accompanying notes), ■ The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures (for example, disclosures related to revenue recognition, going concern, subsequent events, and contingency issues), ■ The potential effect on the financial statements of significant exposures and risks, and uncertainties, such as pending litigation, that are disclosed in the financial statements.
Alternative accounting treatments	We did not identify any alternative treatments permissible under US GAAP for accounting policies and practices related to material items, including recognition, measurement, and presentation and disclosure.
Independence re-evaluation	There were no independence matters that occurred or that were identified subsequent to the date of our most recent independence communication to the Board of Regents which was in the service plan on June 12, 2013. We are independent within the meaning of Code of Professional conduct of the AICPA and the Government Accounting Office ("GAO"). None of the services we have performed impaired our independence. See separate independence letter.
Fees for services	Fees for services were discussed with the Board of Regents and provided to management. There have been no changes to those fees.

Required Communications to the Audit Committee

(continued)

Changes to the planned audit strategy	There were no significant changes to the planned audit strategy or the significant risks initially identified and discussed with management and the Board of Regents on June 12, 2103.
Identified misstatements	We identified no uncorrected misstatements. For CCC, management recorded an adjustment to reclassify approximately $1.5M of expenses originally classified as repairs and maintenance expenses as a capital asset and record the related depreciation expense of approximately $64,000.
Material uncertainties related to events and conditions that may cast doubt on the ability to continue as a going concern	We are not aware of any material uncertainties that cast doubt on CCC's or CSUS's ability to continue as a going concern.
Control deficiencies	We have not identified any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we have communicated internal control observations and recommendations to management and the Board of Regents as related to CCC's and CSUS's internal control structure. Refer to our Report to Management, under separate cover.
Other information in documents containing audited/reviewed financial information	Our responsibility with respect to other information in documents containing audited financial statements is to consider whether its content or manner of presentation is materially inconsistent with the financial information covered by our report or whether it contains a material misstatement of fact. Management's Discussion and Analysis is not a required part of the basic combined financial statements, but it is supplementary information required by the GASB. 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. We did not audit the information and accordingly express no opinion on it.
Disagreements with management	There were no disagreements with management.

Required Communications to the Audit Committee

(continued)

Consultation with other accountants	Management has advised us that they have not relied on consultations with other accounting firms regarding any significant accounting matters during the year.
Difficulties encountered during the audit	No difficulties were encountered while performing our audit.
Other material written communications	Other material written communications will include the following: ■ Letter of arrangement and amended Contract for CCC for professional services to be performed ■ Legal letters ■ Management representation letters for CCC and CSUS. ■ Report to management
Other matters	There have been no other matters not previously disclosed to the Board of Regents except for communications with CCC and CSUS containing the information in this report.
Assessing our performance and CSU's and CCC's	The timeline and commitments outlined in our Service Plan on June 12, 2013 were all met.

Independence

To the Board of Regents
of the Connecticut State Colleges and Universities

December 17, 2013

Dear Board of Regents:

We have been engaged to audit the consolidated financial statements of Connecticut Community Colleges ("CCC") and our combined financial statements of Connecticut State University System ("CSUS") for the year ended June 30, 2013.

Pursuant to Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants, we must communicate with you prior to accepting an initial engagement conducted pursuant to the standards of the American Institute of Certified Public Accountants and at least annually regarding all relationships between PricewaterhouseCoopers LLP ("PwC") and Connecticut Community Colleges ("CCC") and Connecticut State University System ("CSUS") or persons in financial reporting oversight roles at CCC and CSUS that may reasonably be thought to bear on our independence. We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since June 13, 2013, the date of our last letter.

We are not aware of any relationships between PwC and CCC or CSUS or persons in financial reporting oversight roles at CCC or CSUS that may reasonably be thought to bear on our independence which have continued or occurred since June 13, 2013, the date of our last letter, through the date of this letter.

We hereby affirm that, as of the date of this letter, we are independent accountants with respect to CCC and CSUS, within the meaning of PCAOB Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accounts and its interpretations and rulings, and the Government Accountability Office Independent Standard ("Yellow Book").

This report is intended solely for the use of the Audit Committee, the Board of Regents, management, and others within the Colleges and Universities and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you at our upcoming meeting on December 17, 2013.

Very truly yours,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Appendix A

December 17, 2013

PricewaterhouseCoopers LLP
185 Asylum Street, Suite 2400
Hartford, CT 06103-3404

We are providing this letter in connection with your audits of the financial statements of the Connecticut Community Colleges ("CCC") as of June 30, 2013 and June 30, 2012 and for the years then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of CCC in conformity with accounting principles generally accepted in the United States of America. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our contract, as amended, effective June 21, 2013 for the preparation and fair presentation in the financial statements of financial position, results of operations, and of cash flows in conformity with generally accepted accounting principles, including the appropriate selection and application of accounting policies.

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. Materiality used for purposes of this letter is $500,000.

We confirm, to the best of our knowledge and belief, as of December 17, 2013, the date of your report, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which CCC is subject. We have prepared CCC's financial statements on the basis that CCC is able to continue as a going concern, including to meet its obligations in the ordinary course of business, and we are not aware of any significant information to the contrary.

2. We have made available to you:
    a. All financial records and related data.

    b. Unconditional access to persons within the entity from whom you have requested audit evidence.

    c. All minutes or summaries of actions of recent meetings for which minutes have not yet been prepared of the meetings of the Board of Regents. The most recent meeting held was November 21, 2013.

3. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa.

4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.

6. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our contract, as amended effective June 21, 2013, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and we are not aware of any deficiencies in the design or operation of internal control over financial reporting.

7. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

8. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud and we have no knowledge of any fraud or suspected fraud affecting CCC involving:
    a. Management,

    b. Employees who have significant roles in internal control over financial reporting, or

    c. Others where the fraud could have a material effect on the financial statements.

9. We have no knowledge of any allegations of fraud or suspected fraud affecting CCC received in communications from employees, former employees, or others.

(As to items 7, 8 and 9, we understand the term "fraud" to mean those matters described in Statement on Auditing Standards No. 99.)

10. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

11. CCC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

12. We have disclosed to you the identity of CCC's related parties and all the related party relationships and transactions of which we are aware.

13. The following, if material, have been properly recorded or disclosed in the financial statements:
    a. Relationships and transactions with related-parties, as described in Accounting Standards Codification (ASC) 850, Related Party Disclosures, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which CCC is contingently liable.

    c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with ASC 275, Risks and Uncertainties, 275-10-50. (Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)

14. CCC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.

15. CCC has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

16. Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the statement of net position date and are not subject to discount except for normal cash discounts. All receivables have been appropriately reduced to their estimated net realizable value.

17. All liabilities of CCC of which we are aware are included in the financial statements at the balance sheet dates. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450, *Contingencies*, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that Topic.

18. We are responsible for all significant estimates and judgments affecting the financial statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, are completely and appropriately disclosed in the financial statements. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. There have been no subsequent events which would require the adjustment of any significant estimate and related disclosures.

19. We have notified you of (i) our current or planned offerings of securities on a regulated market in a non-U.S. country or (ii) when we have provided or plan to provide audited financial statements to a non-U.S. regulator or government in connection with our access to its public capital markets, whether or not we include or refer to your report or include reference to your Firm.

20. All cash and deposit accounts and all other properties and assets of CCC are included in the financial statements. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, collateral posted or similar arrangements have been properly disclosed in the financial statements.

21. All material costs that have been deferred to future periods, meet the definition of an asset as defined in the Statement of Financial Accounting Concepts No. 6, *Elements of Financial Statements (*CON 6*)*, and are recoverable.

22. The financial statements include the accounts of the CCC System Office, and the following regional community colleges: Asnuntuck Community College, Capital Community College, Gateway Community College, Housatonic Community College, Manchester Community College, Middlesex Community College, Naugatuck Valley Community College, Northwestern Connecticut Community College, Norwalk Community College, Quinebaug Valley Community College, Three Rivers Community College and Tunxis Community College.

23. All assets and liabilities under CCC's control have been included in the financial statements.

24. CCC has properly recorded, classified and disclosed the existence or absence of donor imposed restrictions on contributions received that would affect invested in capital assets, net of related debt, restricted-nonexpendable, restricted expendable and unrestricted net assets in the financial statements pursuant of GASB Statement No.33, Accounting and Financial Reporting for Nonexchange Transactions. ("GASB 33").

25. CCC has appropriately adopted the provisions of GASB Statement No.34, Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments ("GASB 34") GASB Statement No.35 Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities ("GASB 35"), GASB Statement No.37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus and amendment of GASB Statements No.21 and No.34 ("GASB 37"), and GASB Statement No.38, Certain Financial Statement Note Disclosures ("GASB 38").

26. CCC has appropriately adopted the provisions of GASB Statement No.39, Determining Whether Certain Organizations Are Component Units an amendment of GASB Statement 14 ("GASB 39"). CCC determined that the only component units that are required to be disclosed under GASB 39 are the twelve individual college foundations ("foundations") and Great Path Academy and Quinebaug Valley Middle College High School ("magnet high school"). These foundations and magnet high schools are appropriately disclosed in CCC's financial statements as discretely presented component units.

27. Great Path Academy and Quinebaug Valley Middle College High School are included as separately stated component units on the face of CCC's financial statements. CCC considers Great Path Academy and Quinebaug Valley Middle College High School to be component units as the educational missions are different than CCC and they are separately managed and accounted for.

28. CCC has appropriately adopted Government Accounting Standards Board, Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). CCC has determined that no additional intangible assets are required to be recorded by CCC in the Statement of Net Assets nor disclosed in the footnotes of the financial statements.

29. All contributions received during the year were entered in the accounting records and conditions governing restricted gifts and funds were duly observed. All disbursements and charges for expenditures relating to restricted funds were made in accordance with the purpose of restriction on the fund affected and were appropriately authorized.

30. All disbursements, charges for expenditures and interfund transfers relating to restricted funds have been made in accordance with the purpose or restriction of the fund affected and was properly authorized. When both restricted and unrestricted resources are held for the same purpose, restricted resources are utilized first in making expenditures for the purpose or program.

31. We have presented, in either the statement of activities or the notes to the financial statements, information about expenses (but not losses) reported by their functional classification, such as major classes of program services and supporting activities. Expenses that relate to more than one program or supporting activity, or to a combination of programs and supporting services, have been appropriately allocated among the appropriate functions. Administrative allocations to the functional categories were based on full cost allocations.

32. We reviewed long-lived assets to be held and used for impairment in accordance with ASC 360, *Property, Plant, and Equipment* (ASC 36), 360-10-35, *Subsequent Measurement*, and determined no adjustment was necessary.

33. We have disclosed all contracts or other agreements with service organizations.

34. We have disclosed to you all communications from a service organization relating to noncompliance at the service organization, if any.

35. CCC appropriately records summer tuition revenue and extension credit and non-credit program fees. Revenues are split between two fiscal years when they are earned or incurred and become measurable.

36. CCC appropriately implemented GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"). As of June 30, 2013, CCC has not recorded a liability.

37. The State of Connecticut's Short Term Investment Funds (STIF) balance is currently trading at a $1 per share net asset value.

38. We acknowledge responsibility for the presentation of the supplementary information and we believe such information, including its form and content, is fairly presented. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the information.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of net position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Connecticut Community Colleges

_____

Erika Steiner , Chief Financial Officer – Effective October 2013

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James Howarth, Interim Chief Financial Officer

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Susan Grant, Senior Finance Officer

December __, 2013

PricewaterhouseCoopers LLP
185 Asylum Street, Suite 2400
Hartford, CT 06103

We are providing this letter in connection with your audits of the consolidated financial statements of Connecticut State University System ("CSUS"), as of June 30, 2013 and 2012 and for the years then ended for the purpose of expressing an opinion as to whether such consolidated financial statements present fairly, in all material respects, the net position, revenues, expenditures, and changes in net position and cash flows of CSUS in conformity with accounting principles generally accepted in the United States of America. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letter of June 13, 2013, for the preparation and fair presentation in the consolidated financial statements of net position, revenue, expenditures, and changes in net position and cash flows in conformity with generally accepted accounting principles, including the appropriate selection and application of accounting policies. Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December ___, 2013, the date of your report, the following representations made to you during your audit(s):

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which CSUS is subject. We have prepared CSUS's financial statements on the basis that CSUS is able to continue as a going concern, including to meet its obligations in the ordinary course of business, and we are not aware of any significant information to the contrary.

2. We have made available to you:

   a. All financial records and related data.

   b. Unconditional access to persons within the entity from whom you have requested audit evidence.

   c. All minutes of the meetings of stockholders, directors, and audit or other committees of directors (or summary of minutes for which formal minutes have not yet been prepared). The most recent meetings held were:

      Academic and Student Affairs Committee meeting on December 6, 2013
      Board of Regents meeting on November 21, 2013

3. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the

reconciliations and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the consolidated financial statements.

4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.

6. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letter of June 13, 2013, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and we are not aware of any deficiencies in the design or operation of internal control over financial reporting.

7. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

8. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud and we have no knowledge of any fraud or suspected fraud affecting CSUS involving:

   a. Management,
   b. Employees who have significant roles in internal control over financial reporting, or
   c. Others where the fraud could have a material effect on the financial statements.

9. We have no knowledge of any allegations of fraud or suspected fraud affecting CSUS received in communications from employees, former employees, analysts, regulators, short sellers, or others.

   (As to items 7, 8, and 9, we understand the term "fraud" to mean those matters described in AICPA AU-C 240.)

10. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

11. CSUS has no plans or intentions that may materially affect the carrying value or classification of position and liabilities.

12. We have disclosed to you the identity of CSUS's related parties and all the related party relationships and transactions of which we are aware.

13. The following, if material, have been properly recorded or disclosed in the financial statements:

    a. Relationships and transactions with related-parties, as described in Accounting Standards Codification (ASC) 850, *Related Party Disclosures*, including sales, purchases, loans, transfers,

leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

14. There are no:

    a. Guarantees, whether written or oral, under which CSUS is contingently liable.

    b. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with ASC 275, *Risks and Uncertainties*, 275-10-50. (Significant estimates are estimates at the Statement of Net Position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)

15. CSUS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.

16. CSUS has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

17. Receivables, including grants and contracts, recorded in the financial statements represent bona fide claims against students or agencies for sales or other charges arising on or before the Statement of Net Position dates and are not subject to discount. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

18. All liabilities of CSUS of which we are aware are included in the financial statements at the Statement of Net Position dates. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450, *Contingencies*, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that Topic.

19. We are responsible for all significant estimates and judgments affecting the financial statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, are completely and appropriately disclosed in the financial statements, and appropriately reflect management's intent and ability to carry out specific courses of action, where relevant. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. There have been no subsequent events which would require the adjustment of any significant estimate and related disclosures.

20. All cash and bank accounts and all other properties and assets of CSUS of which we are aware are included in the financial statements at June 30, 2013 and 2012.

21. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

22. The assumptions and methods used to measure liabilities and costs for financial accounting purposes for the liability for compensated absences are appropriate in the circumstances.

23. Related to long-term debt:

    a. All borrowings and financial obligations of CSUS of which we are aware are included in the financial statements at June 30, 2013 and 2012, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

    b. CSUS has not violated any covenants on its long-term debt agreements during any of the periods reported. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.

    c. Tax-exempt bonds issued have retained their tax-exempt status.

24. Related to Connecticut Health and Educational Facilities Authority (CHEFA) loan agreements:

    a. We have complied with all terms, provisions and covenants of our CHEFA loan agreements. There were no conditions, events, actions or failure to take any action which constitutes or would constitute an event of default.

    b. CSUS will furnish to CHEFA, the Trustee, and each nationally recognized municipal security repository and the appropriate state information repository, the required annual financial information, including audited financial statements, within 8 months after June 30, 2013.

    c. CSUS will furnish a certificate signed by an authorized officer of CSUS indicating that CSUS has complied with all terms, provisions and conditions of the loan agreement, the tax certificate and the hazardous substance agreement to CHEFA and the Trustee within 8 months after June 30, 2013.

    d. We have placed no liens on any of CSUS's assets.

25. The valuation of library books was estimated by management using historical information and is accurately reflected in their carrying value.

26. All gifts received during the year were entered in the accounting records and conditions governing the gifts and funds were duly observed.

27. With respect to workers compensation claims incurred by CSUS employees on or before June 30, 2013 and 2012, other than the amount included for the accrued fringe benefits liability in the June 30, 2013 and 2012 statement of net position, CSUS does not have any liabilities to individual employees or the State of Connecticut for these claims. Responsibility for the payments of such claims rests directly with the State of Connecticut.

28. CSUS has complied with all applicable Federal Title IV rules and regulations regarding federal reimbursement of Perkins loan in default, and expects full reimbursement for these loans in default.

29. CSUS has properly:

    a. Recorded depreciation expense for the years ended June 30, 2013 and 2012 and accumulated depreciation at June 30, 2013 and 2012;

b. Classified operating and non-operating revenues and expenditures on the statements of revenues, expenditures and changes in net position;

c. Recorded the liability for refundable advances (e.g. Perkins Loan Funds) as of June 30, 2013 and 2012;

d. Presented assets and liabilities classified as current or long-term on the statements of net position;

e. Classified its net position in accordance with GASB Statement No. 34, as unrestricted, restricted nonexpendable, restricted expendable and invested in capital assets, of June 30, 2013 and 2012.

30. CSUS is an agency of the State, which issues separate "agency" or "fund" financial statements. The State of Connecticut statutes (Sections 5-257 and 5-259) make the State legally responsible for 100% of the payment for premiums associated with the postretirement benefits offered to retirees. CSUS has not reflected a liability for these benefits in the June 30, 2013 financial statements, as they are not legally responsible and the State makes all payments under the plan. CSUS has disclosed the name of the plan that covers its employees and indicated that the State of Connecticut makes the contributions to the plan.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Connecticut State University System

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Erika Steiner , Chief Financial Officer – Effective October 2013

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James Howarth, Interim Chief Financial Officer

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Raymond Yirga, Director of Accounting and Finance

Connecticut State Colleges and Universities

Report to Management

Year Ended June 30, 2013

pwc

December 6, 2013

To the Board of Regents of Higher Education of the Connecticut State Colleges and Universities

In planning and performing our audit of the combined financial statements of Connecticut Community Colleges ("CCC") and the combined financial statements of Connecticut State University System (CSUS), including the System Office and the four individual Universities, as of and for the year ended June 30, 2013, we considered CCC and CSUS's internal control with respect to financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on internal control over financial reporting. Accordingly, we do not express an opinion on CCC or CSUS's internal control over financial reporting.

Our consideration of internal controls over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses as defined below:

> Control Deficiency—exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
>
> Significant Deficiency—a control deficiency, or combination of control deficiencies, that adversely affects the company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.
>
> Material Weakness—a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

We identified no deficiencies involving internal control over financial reporting that we consider to be material weaknesses as defined above. We noted certain matters involving internal control and its operation, and are submitting for your consideration related recommendations designed to help CCC and CSUS make improvements.

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103
T: (860) 241 7000, F: (860) 241 7458, www.pwc.com/us

Board of Regents
Connecticut State Colleges and Universities
June 30, 2013

This report has been organized by current year comments and comments still applicable and closed comments. In the current year comments and comments still applicable, detailed comments, findings, observations, recommendations for improvement, and responses from CSCU are outlined by entity for which the comment is applicable. The closed comments section summarizes prior year findings and recommendations that the Colleges/Universities and the System Office have acted upon and have adequately resolved.

The accompanying comments, recommendations and summaries are intended solely for the information and use of management and the Board of Regent of CCC and CSUS, and are not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation and assistance we have received from CCC and CSUS management and staff in developing our findings, observations and recommendations. We also appreciate the opportunity to have been of service to you, CCC and CSUS. Should you have any questions about our findings, observations and recommendations, this letter, or any other matter, please contact us at your convenience.

Very truly yours,

PricewaterhouseCoopers LLP

Connecticut State Colleges and Universities
Index to Report to Management
June 30, 2013

Page(s)

* Prior year comment still applicable for the year ended June 30, 2013

Current Year Comments and Prior Year Comments Still Applicable

I. Connecticut State Colleges and Universities

General Comments

A. Financial Reporting

Observation
There has been significant change within the organization over the recent period with consideration to the merger of the community colleges (CCC) and state universities (CSUS), a new President and Chief Financial Officer as well as some downsizing of employees across the institution.

Given these changes, there is a potential for increased risk within financial reporting. In particular, certain reviews or processes may not be performed, whether due to a change in personnel or as a result of turnover where inadequate training or transition of knowledge has not taken place.

Recommendation
As part of this transformation, there is great opportunity to take a fresh look at the overall organization and perform an overall risk assessment, focusing on a variety of key aspects of the institution. In particular, as it relates to financial reporting, we recommend management revisit, analyze and assess the organizational structure, including the reporting at each individual school and the system offices, as well as the policies and procedures in place for the combined institutions, implementing best practices from each of the separate systems into one common practice across all schools and formalize a new set of policies and procedures.

Recognizing the above will take a considerable amount of time, we recommend management consider making an evaluation of the top risks of the institution identified to date and ensuring appropriate procedures and processes are in immediate place now for such items with a plan to revisit other areas over the upcoming year. Applications to be reviewed should include, but not limited to: treasury, capital assets, purchasing, payroll and revenue. This critical evaluation would also help in the elimination of outdated processes.

Management's Response
We agree that a significant transformation typically requires a hard look at the system of controls and associated risks. As part of our transformation, BOR has a number of new executives, all keenly interested in best and strategic practices. To that end, we have adopted a new strategic plan, “Excel CT”, which is currently being fleshed out for implementation. Many of the organizational consideration will fall under the auspices of Excel CT. As part of the overall controls at BOR, the President holds staff meetings and one-on-one meetings with each of his staff every two weeks. This enables us to assess the most important activities within each function, as well as cross-functional activities.

A very critical component of Excel CT is infrastructure improvements, including system-wide IT architecture design and information management practices. In order to simplify financial reporting and mitigate human error, it is critical that we operate on one ERP system, which is a part of this overall plan.

In addition to these strategic actions, which may be longer term, we will undertake an Enterprise Risk Assessment within the next calendar year, initially focused on BOR activities to ensure that we are mindful of any areas that may require more focus as we are changing and improving our organization.

II. Connecticut State University System's Office ("CSUSO")

Information Technology Comments

A. Review Data Center Access on a Periodic Basis

Observation
Management currently leverages the use of the 61 Woodlawn Street Data Center, which is managed by the Department of Construction Services of the State of Connecticut ("DCS"), to support the CSU System Office / CCC instances of the Banner application; however, management has not formalized a periodic review of individuals with physical access to the data center. Timely review of physical access to the data center helps reduce the risk of unauthorized access to the Data Center equipment and related assets and can help detect terminated employees who may have retained access.

Recommendation
Management should formalize a periodic review of data center physical access and coordinate with DCS to establish timely working practices to perform the review.

Current Year Update
This comment remains open. Management has not completed a formal review of individuals with access to the Data Center.

Management's Response
Management agrees this item is still open. Management will resolve this issue in the next calendar year.

III. Central Connecticut State University ("CCSU")

There are no comments applicable to CCSU.

IV. Eastern Connecticut State University ("ECSU")

There are no comments applicable to ECSU.

V. Southern Connecticut State University ("SCSU")

Information Technology Comments

A. Update IT Strategic Plan

Observation
Due to recent changes in SCSU IT leadership, management has not completed a formalized update of the SCSU IT Strategic Plan. Formalizing and updating the plan to reflect the current strategic direction of the University will help ensure IT resources and projects are better aligned to strategic initiatives from campus leadership.

Recommendation
Management should formalize their update to the SCSU IT Strategic Plan to help ensure that all projects and activity within the IT department are aligned to support the overall University strategy. In doing so, management should ensure the plan is vetted through the relevant advisory committees to gain campus-wide adoption.

V. Southern Connecticut State University ("SCSU"), continued

Current Year Update
This comment remains open. Management is currently in the process of developing an IT strategic plan in alignment of University objectives.

Management's Response
Management agrees with the observation. The newly appointed CIO, Dr. Pablo G. Molina is developing an interim strategic plan for the remainder of the 2013-2014 academic years and for the 2014-2015 academic years. The CIO is a member of the steering committee crafting the overall campus strategic plan, including technology goals and objectives, for 2015-2025.

B. Developer Segregation of Duties

Observation
SCSU developers have been granted a level of access that provides the ability to perform code development and the migration of new program code to the production environment. Providing users with the ability to perform both code development as well as code migration presents the risk that change management controls can be bypassed, allowing an unauthorized program modification into the production environment. Unauthorized programs can affect Banner functionality and the integrity of data, reducing management's ability to rely on the information in the Banner application.

Recommendation
Management should consider logging the use of Banner IDs used to compile code in production. To achieve segregation of duties, management should ensure that the activity logs are reviewed on a periodic basis by an individual independent of the migration process.

Current Year Update
This comment is partially open. SCSU has hired a new Database Administrator (DBA) that will be responsible for the migration of changes to production; however, management had not fully transitioned responsibilities to the new DBA during FY2013. In addition, management has removed six (6) developer IDs on the production system (as of February 2013) with the exception of one developer ID who will serve as an emergency backup. In doing so, management should monitor changes promoted to production by the back-up DBA/developer to ensure that only authorized changes are promoted to production.

Management's Response
Management agrees with the observation. Management will develop a process to periodically monitor changes promoted to production by the back-up DBA/developer to ensure that only authorized changes are promoted to production.

C. Use of Generic ID's

Observation
Management currently utilizes generic administrative IDs (BANSECR ID's) on the Banner application to perform various administrative functions. The BANSECR IDs and passwords are shared with multiple people that have been authorized to have such information. However, the use of generic IDs is not required as the access can be granted to the individual accounts of those requiring access, eliminating the need to share a generic administrative ID and password. Sharing a generic administrative ID and password restricts management's ability to monitor the use of the ID.

V. Southern Connecticut State University ("SCSU"), continued

Recommendation
Management should work to restrict the use of generic IDs and passwords and require end users to utilize their own individual user accounts to perform actions required as part of their job responsibilities. In instances where individual IDs cannot be granted the required access rights, and a generic ID is necessary, management should investigate proper compensating controls that will allow them to gain comfort and accountability over the use of such IDs.

Current Year Update
This comment is partially open. Management has restricted access to the generic BANSECR account within the Banner application to two (2) individuals who have knowledge of the password, one of the individuals being a developer. In addition, management has created custom BANSECR accounts assigned to four (4) users; of which two (2) are developers. Management should consider reviewing activity performed by the custom Banner administrator accounts belonging to the developers to ensure that activity is appropriate and authorized. The developer, though no longer performing DBA responsibilities since the hire of the new DBA, still retains knowledge of the BANSECR password. Management should assign an independent team member (e.g., DBA, etc.) to perform activity reviews to ensure only authorized transactions occurred.

Management's Response
Management agrees with the observation. Due to operating staffing constraints we continue to require one of our developers to act as a back-up to our primary DBA. As a result, management will develop a detective monitoring control to review activity for appropriateness of all distributed BANSECR (including the generic BANSECR) accounts. The review will be performed by an individual who is independent of the use/operation of the BANSECR accounts.

D. User Access Termination for Contractors and Temporary Employees

Observation
End user access to systems and applications is removed upon formal communication from the HR department. Our review of the termination process identified that formal HR communication excludes user provisioning for contractors and temporary employees. Currently there is no formalized process for communicating contractors and temporary employees to the IT department that no longer require access to systems and applications. The lack of a formalized process for communicating contractors and temporary employees that no longer require system and application access increases the risk that access may remain active past the date for which it was authorized. In addition, testing performed to ensure that user access was removed from the Windows Active Directory as well as the Banner financial modules identified that three (3) of five (5) users sampled continue to have an active account.

Recommendation
Management should work towards implementing a formalized process to ensure that all contractors and temporary employees have their access to systems and applications disabled/removed in a timely manner. Ensuring that all system and application users have their access disabled/removed timely will help management gain comfort that only authorized end users have active access to key financial and student information. In addition, management should continue to emphasize the importance of removing access which is no longer required to ensure that only authorized users have access to systems and applications.

Current Year Update
This comment is open. Testing revealed that, of 30 users tested, two (2) Banner users had active accounts and eight (8) users had active Windows Activity Directory accounts. Management should continue to collaborate with HR to ensure timely revocation of access.

V. Southern Connecticut State University ("SCSU"), continued

Management's Response
Management agrees with the observation. Upon further investigation, it was determined that the users identified were not communicated for termination/removal to IT from Human Resources in a timely fashion. As such, management will continue to work with HR to better ensure that all terminations are entered into Banner properly and in a timely manner.

VI. Western Connecticut State University ("WCSU")

Information Technology Comments

A. Perform the Banner User Access and Data Center Access Reviews

Observation
The quarterly review of user access to the Banner application and employee access to the data center were not completed during the 2013 fiscal year. Performing a timely periodic review of employee access rights helps to ensure that access rights are commensurate with user job responsibilities. In addition, the review will also aid in detecting terminated or transferred users that may not have been processed through the standard working practices.

Recommendation
Management should conduct a periodic and cooperative review by both IT and business area owners of employee access rights for the Banner application and data center. Such regular reviews of access rights would help to ensure that user access to system resources are commensurate with their job responsibilities.

Management's Response
Management agrees with this observation. The Banner user access review is conducted semi-annually and the reviews of terminated/transferred employee access and data center access are conducted quarterly. These reviews will resume.

B. Perform the Firewall Change Review

Observation
One (1) of the three (3) firewall changes selected was not formally authorized with a Firewall Change Request form. Upon further review of the firewall change identified, PwC determined that the change was appropriate; however, the formal change documentation was not completed in a timely manner. Maintaining evidential matter to substantiate the approval of infrastructure change requests helps to ensure that only authorized changes to sensitive system resources are processed.

Recommendations
Management should ensure that firewall changes are formally tested, documented and authorized prior to being placed into production.

Management's Response
Management agrees with this observation and will reinforce change documentation standards with infrastructure team members, specifically those responsible for firewall changes. Additionally, quarterly reviews of firewall changes will be conducted to ensure these standards are being met.

VII. Connecticut Community Colleges ("CCC")

General Comments

A. Accounting For Leases

Observation
CCC does not formally evaluate its leases at inception to determine the appropriate accounting in accordance with SFAS 13, Accounting for Leases (GASB guidance is the same as SFAS 13). Although there were no errors identified in the classification of leases during the year, there were new leases, some of which were significant, which were not formally assessed to determine if they were a capital lease or an operating lease.

Recommendation
Management should develop formal policies and procedures for the evaluation of leases at inception. This policy should include the review of the four criteria established by SFAS 13 to determine whether the lease should be classified as a capital or operating lease. As the accounting rules for lease transactions are complex, an individual within finance familiar with the accounting rules should be given the responsibility for understanding and evaluating all lease transactions.

Management's Response
The CCC does maintain a set of policies, including one entitled Fixed Asset Inventory and Accounting Policy which has a section entitled "11.3.2 Capital Leases." This section appropriately defines the consideration for capital versus operating leases. We will send a reminder to the Deans of Finance and Administration to review the policy carefully in making decisions, and to consult with System Office whenever there is a question concerning proper lease classification at the inception of a lease. Further, we will request that Facilities notify System Office at the onset of a lease so that we may opine on its classification.

B. Capitalization Policy

Observation
Significant expenditures were made during the fiscal year related to capital equipment purchases as well as the renovation and expansion of existing college facilities to accommodate a manufacturing center on three different college campuses. As part of detailed testing over repairs and maintenance, the engagement team identified $1.5M of expenditures which should have been capitalized based on the capitalization policy in place.

Recommendation
As implementation of the accounting rules are not always straight forward, we recommend a policy be established for a detailed review by management, of accounting and reporting conclusions related to transactions over a set dollar amount.

Management's Response
The CCC does maintain a set of policies, including one entitled Fixed Asset Inventory and Accounting Policy which has a section entitled "9.0 CAPITALIZATION." Within this section there is one item setting a capitalization threshold and another defining the requirements to capitalize an asset. We believe that this policy adequately defines considerations for capitalizing assets; however it may not be clear to the users that both need to be taken in conjunction with each other when making capitalization decisions. We will send a reminder to the Deans of Finance and Administration as System Office staff to review the policy carefully in making decisions, and to consult with System Office and/or the CFO whenever there is a question concerning proper asset

capitalization, and in particular as it relates to repairs and maintenance as this can frequently require significant judgment.

VII. Connecticut Community Colleges ("CCC"), continued

Information Technology Comments

C. Perform Direct Data Change Review

Observation
The monthly DML (data manipulation language) review of direct data changes to the Oracle database (supporting the Banner application) was not performed during the 2013 fiscal year. Performing a detective review of direct data changes can help to reduce the risk of unauthorized changes to the Oracle database.

Management's Response:
Management agrees with this observation however will implement a quarterly review instead of monthly review going forward. We believe that will be adequate for control purposes and be less burdensome on our limited staff. Management will comply with quarterly review starting in the new calendar year.

D. Perform Program Change Review

Observation
Quarterly review of program changes (e.g. customization, patches/fixes, etc.) to the Banner application was not performed during the 2013 fiscal year. Performing a detective review of Banner changes can help to reduce the risk of unauthorized changes to the banner application.

Recommendation
Management should ensure that the quarterly Banner program change review is completed for completeness, accuracy and validity in order to detect unauthorized or inaccurate changes to the Banner application.

Management's Response:
Management agrees with this recommendation and will begin this review in the next calendar year.

E. Perform Banner User Access Review

Observation
A periodic review of Banner user access rights was not completed during the 2013 fiscal year. Performing a timely periodic review of user access rights helps to ensure that access rights are commensurate with user job responsibilities. In addition, the review will also aid in detecting terminated or transferred users that may not have been processed through the standard working practices.

Recommendation
Management should conduct a periodic and cooperative review by both IT and business area owners of user access rights for the Banner application. Such regular reviews of access rights assigned to user accounts would help to ensure that user access to the application's functions and features are commensurate with their jobs responsibilities.

Management's Response
F. Management agrees with this recommendation and will begin this review in the next calendar year.

VII. Connecticut Community Colleges ("CCC"), continued

G. Rename Windows Administrator Account and Change Password

Observation
Management has not renamed the default Windows "Administrator" account resident on the CCC Windows Domain Controller. In addition, management has not proactively changed the password associated with the generic administrator account in at least 2 years. Renaming the generic administrator account and changing the associated password on a regular basis will help ensure that access from external sources are limited and only authorized personnel are able to access the account.

Recommendation
Management should rename the generic windows domain controller account and password.

Current Year Update
This comment remains open. Management has not renamed or changed the password to the "Administrator" account on the CCC Windows Domain Controller.

Management's Response:
Management agrees with this recommendation and will implement the actions by June 30, 2014.

H. Develop Disaster Recovery/Business Continuity Plan

Observation
Management has not formally documented a disaster recovery or business continuity plan. Disaster recovery and business continuity plans together will help ensure that management will be able to recover in the event there is an operational failure resulting in a significant business interruption.

Recommendation
Management should continue to work on developing formal disaster recovery and business continuity plans. In addition, once developed, the plan should be tested and updated on a periodic basis. Although management has received funding and approval to conduct Business Impact Analysis with SunGard (in 2005); a formal disaster recovery/business continuity plan has not yet been finalized.

Current Year Update:
This comment remains open. A full scale disaster recovery/business continuity plan continues to be an objective of the organization; however, management has not yet finalized a formal plan. Although not formally documented, the current disaster recovery strategy includes the establishment of a "warm" site in Enfield, CT. Management is moving forward to contract with a third party to design the "warm" site.

Management's Response:
Management agrees and will comply with the recommendation by December 1, 2014.

Closed comments

The following prior year observations were resolved by Connecticut State Colleges and Universities:

CSUSO

Approval of High Dollar Checks - This comment has been closed. No exceptions were noted during FY2013 testing of checks over $25,000 and therefore it is concluded that this control has been remediated.

Vendor Set Up Process - This comment has been closed. No exceptions were noted during FY2013 testing of the new vendor set up process. And therefore it is conclude that this control has been remediated.

Formalize the Infrastructure and Firewall Change Management Process – This comment is closed. PwC retested this control in FY2013, no exceptions were noted.

CCSU

Enhance Periodic Review of User Access Rights- This comment is closed. Management strengthened the review to ensure all users denoted for removal were removed. No exceptions were identified in testing this control in FY2013.

WCSU

Enhance the Network Termination Process - This comment is closed. PwC retested this control in FY2013, no exceptions were noted.

Connecticut State University System

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

Financial Statements
June 30, 2013 and 2012

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

Independent Auditor's Report

To the Board of Regents of
Connecticut State University System

We have audited the accompanying financial statements of the primary institution of the Connecticut State University System (The System Office; Central Connecticut State University; Eastern Connecticut State University; Southern Connecticut State University; and Western Connecticut State University) ("CSUS" or the "System") as of June 30, 2013 and 2012 and for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, the affiliated foundations ("Foundations"), which statements reflect total assets of $101.3 million and $90.5 million and total net assets of $99.8 million and $89.6 million as of June 30, 2013 and 2012, respectively and total revenues, capital gains and losses and other support of $18.6 million and $13.0 million for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103
T: (860) 241 7000, F: (860) 241 7590, www.pwc.com/us

Opinion

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

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

Other Matter

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

PricewaterhouseCoopers LLP

December 17, 2013

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

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

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

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

Jewel Mullen – Commissioner of the CT Department of Public Health
Stefan Pryor – Commissioner of the State Board of Education
Sharon Palmer – Commissioner of the CT Department of Labor
Catherine Smith – Commissioner of the CT Department of Economic and Community Development
Tom Failla – Chair of the Faculty Advisory Committee (Effective 10/1/2013)

Connecticut State Universities

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

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

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

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

System Office, Connecticut State Colleges & Universities
39 Woodland Street
Hartford, CT 06105
Dr. Gregory W. Gray President

Introduction

Management's Discussion and Analysis provides an overview of the comparative financial position and results of activities of the Connecticut State University System ("CSUS" or "System") and its component units for the fiscal year ended June 30, 2013 with comparative information for the fiscal years ended June 30, 2012 and 2011. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section. The discussion immediately following also reflects the System as it existed during fiscal year 2013.

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

CSUS is the largest comprehensive public institution of higher learning in the State of Connecticut with approximately 34,000 enrolled students. The System's four Universities are Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury; (collectively the "Universities"). The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 182 subject areas and provide extensive opportunities for internships, community service and cultural engagement. In total, CSUS employed more than 3,100 full time employees at June 30, 2013.

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

Using the Financial Statements

CSUS's financial report includes the following financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. In accordance with Governmental Accounting Standards Board Statement No.39, *Determining Whether Certain Organizations are Component Units*, the financial report includes CSUS and certain other organizations that have a significant related party relationship with CSUS (the "component units"). The component units are the CCSU Foundation, Inc., the ECSU Foundation, Inc., the Southern Connecticut State University Foundation, Inc., the Western Connecticut State University Foundation Inc. and the Connecticut State University System Foundation, Inc. (collectively, the "Foundations"). The Foundations are related tax-exempt organizations founded to foster and promote the growth, progress and general welfare of the Universities and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Universities' endowments.

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

Financial Highlights

At June 30, 2013, total assets of the System were $1,587.6 million, an increase of $128.0 million or 8.8% over the prior year amount of $1,459.6 million, primarily due to increases in investments of $29.6 million (mainly due to CHEFA M issue of $34.1 million), and net investment in plant of $81.9 million (mainly buildings and improvements and construction in progress – see pages 8 and 9). At June 30, 2012, total assets of the System were $1,459.6 million, an increase of $15.6 million or 1.1% over the prior year amount of $1,444.0 million, primarily due to increases in cash and cash equivalents of $9.0 million, net student receivables of $3.9 million, and net investment in plant of $23.9 million, offset by a decrease in investments of $10.3 million.

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

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

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

Statement of Net Position

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

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

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

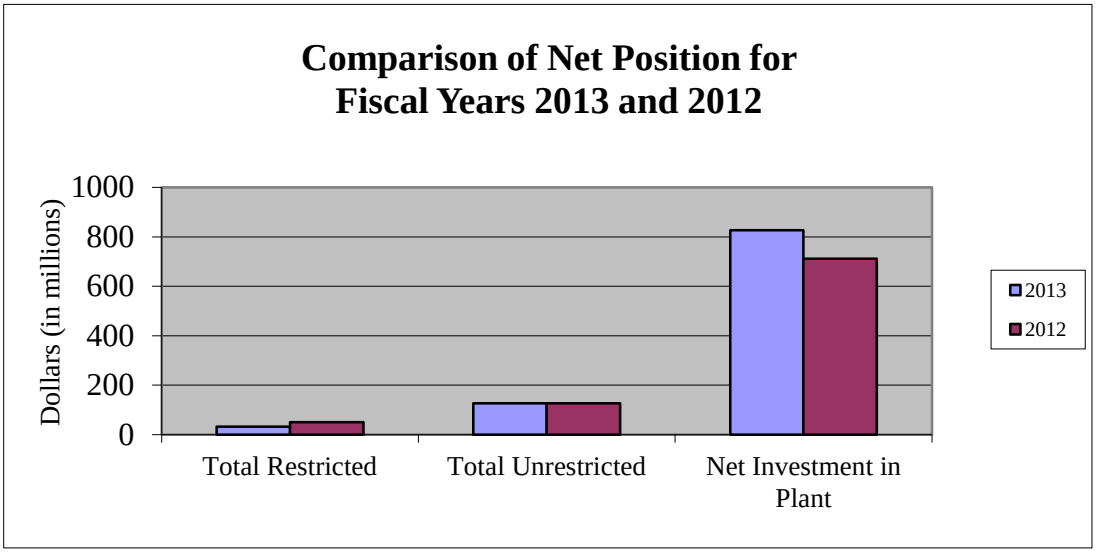
Current assets at June 30, 2012 of $424.0 million decreased by $14.2 million or 3.2% primarily due to decrease in investments of $10.6 million and due from the State of Connecticut of $11.6 million. Total current assets represented coverage of current operating expenses excluding depreciation and amortization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

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

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

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

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



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

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

At fiscal year end June 30, 2013, the System had total investment in plant assets of $1,633.2 million, an increase of $130.4 million or 8.7% over the fiscal year end 2012 level of $1,502.8 million. This increase was primarily due to the increase in construction in progress for more CSUS 2020 projects that are at various stages of completion. Total additions to depreciable capital assets of $96.4 million during the fiscal year reflect the System's continued commitment to provide its students with state-of-art buildings and equipment, as more CSUS 2020 projects are started and/or completed.

At fiscal year end June 30, 2012, the System had total investment in plant assets of $1,502.8 million, an increase of $61.9 million or 4.3% over the fiscal year end 2011 level of $1,440.9 million. This increase was primarily due to the increase in construction in progress for more CSUS 2020 projects that are at various stages of completion. Total additions to depreciable capital assets of $42.3 million during the fiscal year again reflects the System's continued commitment to provide its students with state-of-art buildings and equipment, as more CSUS 2020 projects are started and/or completed.

In 1997, Governor John Rowland committed to support $320 million in general obligation bonding for capital projects and information technology equipment over a five-year period for CSUS. Between July 1, 1997 and June 30, 2002, approximately $352.2 million was allocated by the State Bond Commission specifically for capital projects and information technology equipment for the System. In 2001, Governor Rowland announced his support to extend his commitment to the System for an additional five-year period during which the State would commit to support $400 million in general obligation bonding. During fiscal years 2003 and 2004, under Governor Rowland's administration, and during fiscal years 2005, 2006 and 2007, under Governor M. Jodi Rell's administration, an additional $279.2 million was allocated by the Bond Commission for CSUS capital projects. In November 2007, Governor Rell signed Public Act 07-7, "An Act Authorizing and Adjusting Bonds of the State for Capital Improvements and Transportation Infrastructure Improvements and Concerning the Connecticut State University Infrastructure Act" which authorized $80 million for CSUS capital projects. Of that amount, $41.7 million was allocated by the Bond Commission during 2008, $19.3 million was allocated by the Bond Commission during 2009, $2.0 million was allocated by the Bond Commission during 2010, $12.8 million was allocated by the Bond Commission during 2011, and $3.5 million was allocated by the Bond Commission during 2013, bringing the total amount of allocations to CSUS between 1997 and 2013 to $711.7 million.

Public Act 07-7 also established a $950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS universities. Effective July 1, 2008, this program, known as "CSUS 2020", provides CSUS with additional flexibility in the allocation of bond funds, through the one time allocation of $950 million, with allotments approved annually by the Governor, thus allowing for more timely completion of major university construction projects. During FY 2009, the CSU System received $95 million to finance the first year of the program. In FY 2010, the Governor deferred funding of the second year of the

program, due to the fiscal condition of the state. In FY 2011, CSUS received the $95 million that had been deferred in FY 2010 and received an additional $95 million in 2012 for FY 2011, and $95 million in 2013 for FY2012.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the seventeenth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Funds available from eight Connecticut Health and Educational Facilities Authority ("CHEFA") bond issues totaled $278.1 million. Subsequent to June 30, 2013, CHEFA N series of bonds were sold at $80.3 million, bringing the total to $358.4 million. In addition, $49.5 million was issued in February 2004, $48.5 million was issued in June 2005, $62.8 million was issued in April 2007, $14.0 million was issued in June 2011 and $49 million was issued in March 2012 to refund selected maturities from prior CHEFA bond issues. The Board of Regents has decided to suspend further action on the long range auxiliary service capital plan pending completion of the new system strategic plan, a comprehensive review of all capital facilities needs and a reevaluation of enrollment trends. The board has approved 11 projects at a total estimated cost of $114.6 million to move forward for financing under CHEFA this year and next.

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

Total net revenues of $755.9 million for the fiscal year increased by $75.5 million or 11.1% compared to the fiscal year 2012 level of $680.4 million. The increase in total net revenues was primarily due to an increase in state appropriations of $36.3 million and State financed plant facilities of $37.1 million. Operating revenues of $424.1 million at June 30, 2013 decreased by $1.4 million or .3% from the previous year value of $425.5 million, primarily due to a decrease in grants of $3.6 million partially offset by increases in other operating revenues. Tuition and fees remained about level with the prior year due to an average 2.5% increase in tuition and required fees, which was offset by a decrease in enrollment for FY13.

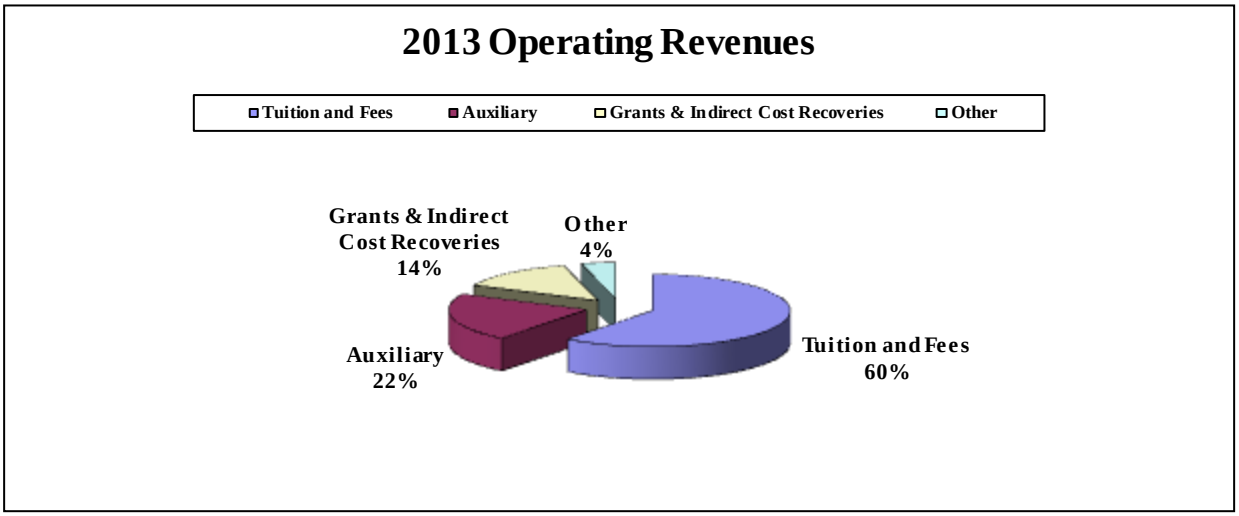
In fiscal year 2012, total net revenues of $680.4 million decreased by $27.8 million or 3.9% compared to the fiscal year 2011 level of $708.2 million. The decrease in total net revenues was primarily due to a decrease in state appropriations of $12.0 million and State financed plant facilities of $14.4 million. Operating revenues of $425.5 million at June 30, 2012 decreased by $2.5 million or 0.6% from the revised previous year value of $428.0 million, primarily due to decrease in grants of $2.9 million.

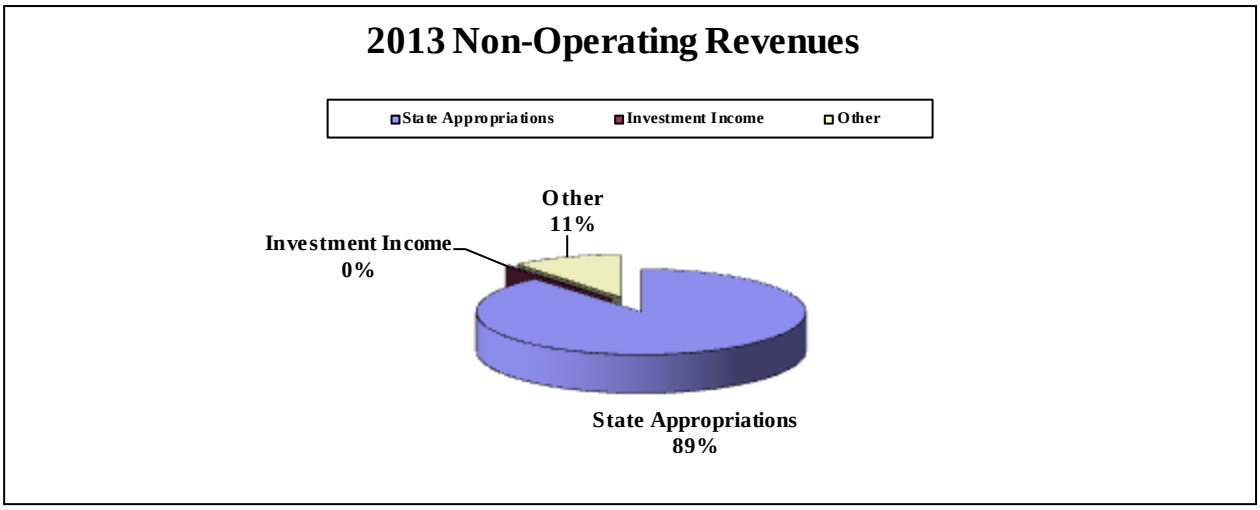
In fiscal year 2013, state appropriations of $294.8 million, representing 39.0% of the System's total net revenues, were $36.3 million or 14.0% above fiscal year 2012. State appropriations are received for both operating and capital purposes. In the current year the System was allotted $222.1 million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

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

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

Revenue by Source





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

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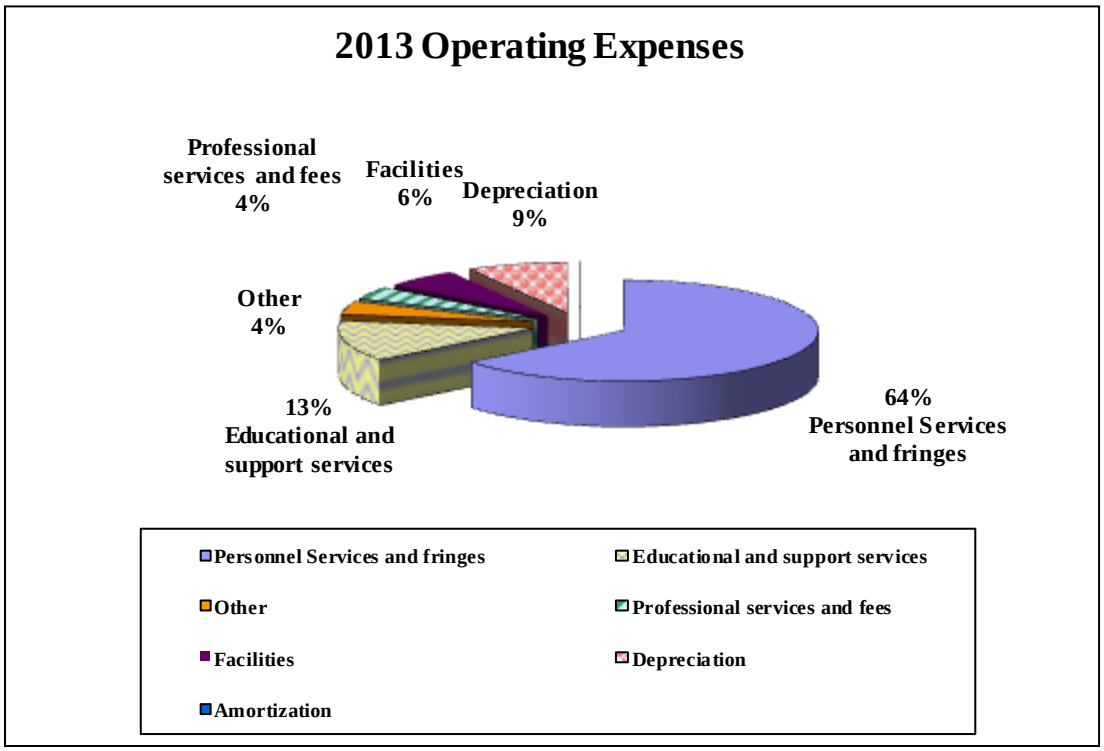
In fiscal year ended June 30, 2013, total operating expenses less depreciation and amortization of $603.6 million increased by $13.7 million or 2.3% from the prior fiscal year. The increase was primarily due to an increase in personnel services and fringe benefits of $16.6 million.

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

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



Statement of Cash Flows

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

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

Enrollment

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

Fall Headcount Enrollment and Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Full Time Equivalent	% Change
2013	29,308	(2.1%)	5,516	(9.5%)	34,824	(3.4%)	29,131	(2.9%)
2012	29.949	(.6%)	6,098	(6.3%)	36,047	(1.6%)	30,012	(1.3%)
2011	30,122	1.4%	6,507	(4.4%)	36,629	0.3%	30,407	1.1%
2010	29,694	1.5%	6,809	2.7%	36,503	1.7%	30,074	2.4%
2009	29,263		6,628		35,891		29,361	

Student Admissions

The table below shows the total of new full-time freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of academic years 2009 through 2013.

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

Economic Outlook

The Connecticut State Universities will confront significant challenges and opportunities in the years ahead. The factors that will have the greatest financial impact on the state universities are flattening and declining enrollment and the current fiscal condition of the state of Connecticut, which continues to lag

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

Full time equivalent enrollments for the fall 2013 are down and have been declining for the past 2 years. Total headcount enrollment declined by 3.4%, from 36,047 students to 34,824 students as compared to fall 2012. Fall full time undergraduate enrollment dropped by 2.1% from fall 2012, and full time graduate enrollment declined by more than 9.5% in the same period. All the universities experienced a decline with Southern CSU and Western CSU experiencing sharper declines in overall enrollment. In the absence of success in increasing student demand from other sources, the state universities will see a decline in enrollment in the short term, if projections of high school graduations are realized.

The impact of these reduced enrollments is a projected reduction in tuition and fee revenues for the FY 2014. Despite an overall increase in undergraduate tuition and fee rates for FY 2014 of 5.1% and a comparable increase in graduate tuition and fee rates, tuition and fee revenues are projected to increase by approximately 3% due to the decrease in enrollment.

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

During fiscal year 2009 the Bond Commission approved funding for "CSUS 2020", a historic $950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS universities. This program provides additional flexibility in the allocation of bond funds, thus allowing for more timely completion of major university construction projects. CSUS 2020 is structured to provide $95 million per year for each of the ten years of the program; funding for any individual year of the program may be deferred by the Governor in whole or in part. During FY 2009, the CSU System received $95 million to finance the first year of the program. In FY 2010, the Governor deferred funding of the second year of the program, due to the fiscal condition of the state. In FY 2011 CSUS received the $95 million that had been deferred in FY 2010, subsequently $95 million of annual funding has been received in FY 2012, FY 2013 and FY 2014. The system fully expects to receive the entire $950 million in program funding over the course of the next five years.

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

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

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

The Board had previously engaged consulting support to review current enrollment management policies and practices with the goal of formulating new strategies to increase recruitment and retention of students. This project is now providing management with valuable insight in strategic enrollment and retention and best practices to promote student success.

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

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

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

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

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

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

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

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

Connecticut State University System
Combined Statements of Net Assets – Component Units
June 30, 2013 and 2012

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

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

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

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

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

Connecticut State University System
Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units
Years Ended June 30, 2013 and 2012

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

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

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

Organization

The Connecticut State University System ("CSUS") was established by the State of Connecticut (the "State") as a constituent unit of the State's system of higher education. The statutory responsibility of CSUS, as reflected in Connecticut General Statutes Section 10a-87, is to offer, through each of its Universities, curricula that "prepare persons to teach in the schools of the state" and that support the pursuit of "academic and career fields," and to confer degrees in such areas of study. Until January 1, 2012, responsibility for CSUS was vested in the Trustees of Connecticut State University System (the "Trustees") who, in turn, appointed the Chancellor and the Presidents of the Universities.

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

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

New Accounting Pronouncements Implemented

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

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

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

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

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

Basis of Presentation

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

The financial statements include the statements of CSUS and its aggregate discretely presented component units. The statements of CSUS present the financial position of the four Universities (Central, Eastern, Southern and Western; collectively the "Universities") and the central administrative organization (the System Office) of CSUS, after the elimination of inter-university accounts and transactions among the four Universities and the System Office. These statements have been presented utilizing the AICPA Industry Audit Guide, *Audits of State and Local*

Governments (GASB 34 Edition) and are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the GASB.

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

- The statement of net position presents information on all of CSUS's assets, liabilities, deferred outflows and inflows, and net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of CSUS is improving or deteriorating.

- The statement of revenues, expenses and changes in net position presents information showing how CSUS's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).

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

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

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

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

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

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

Foundations can only be used by, or for the benefit of, the Universities, the Foundations are considered component units of CSUS.

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

Net Position
Resources are classified for reporting purposes into the following four net position categories:

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

- **Restricted Nonexpendable**
  Net position subject to externally imposed stipulations that they be maintained in perpetuity by CSUS. Similar net assets are referred to as permanently restricted net assets in the statements of the component units.

- **Restricted Expendable**
  Net position whose use by CSUS is subject to externally imposed stipulations that can be fulfilled by actions of CSUS pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the Board or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic and research programs and initiatives, and capital programs.

Classification of Assets and Liabilities
CSUS presents short-term and long-term assets and liabilities in the statement of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30, 2013 and 2012. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30, 2013 and 2012. Cash and cash equivalents and investments presented as short-term in the statement of net position include balances with a maturity of one year or less from June 30, 2013 and 2012. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2013 and 2012 and balances that have externally imposed restrictions as to use.

Short-term liabilities include balances that are expected to be paid in one year or less from June 30, 2013 and 2012. Long-term liabilities include balances that are expected to be paid after one year from June 30, 2013 and 2012.

Fair Value of Financial Instruments
Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits. Investments are carried at fair value, based upon quoted market prices. The fair value of bonds payable is estimated using discounted cash flow analyses, based on current borrowing rates for similar types of borrowing arrangements and approximate carrying value at June 30, 2013 and 2012.

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

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

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

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

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

Inventories
The Universities' inventories of $913,456 and $842,325 at June 30, 2013 and 2012, respectively, consist primarily of supplies for plumbing, maintenance, auto, carpentry, electrical and custodial, and are valued at cost. Inventories are included in prepaid expenses and other current assets in the statement of net position.

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

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

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Department of Construction Services of the State of Connecticut ("DCS"). For projects other than CSUS 2020 projects, the entire cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Universities when the project is complete and/or when title passes from DCS to CSUS. Amounts recognized for such projects were $39.9 million and $2.9 million for the years ended June 30, 2013 and 2012, respectively. Connecticut State University System's comprehensive long-term capital infrastructure investment plan ("CSUS 2020"), was developed consistent with master facilities plans established by its individual universities – Central, Eastern, Southern and Western Connecticut State Universities. For CSUS 2020 projects administered by DCS, revenue and construction in progress are recorded as project expenses are incurred. In regards to CSUS 2020 projects, DCS administers the larger projects – generally more than $2 million. For CSUS 2020 projects, the state general obligation bond proceeds are deposited into the CSUS 2020 Fund. For the previously mentioned projects, CSUS does not receive the appropriation, which is why the revenue and capital asset are not recorded until project completion. The revenue recognized for CSUS 2020 projects being administered by DCS is included in "State appropriations restricted for capital purposes".

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

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

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

Due from/Due to the State of Connecticut
Accrued salaries and related fringe benefit costs for CSUS employees, whose salaries will be charged to the State of Connecticut General Fund totaled $21.5 million and $19.8 million as of June 30, 2013 and 2012, respectively. CSUS has reflected a related receivable from the State of Connecticut for these costs which will be charged to the General Fund appropriation for the following year, in accordance with the state budget approved prior to June 30, 2013 and 2012, respectively.

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

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

subsequent to June 30 or upcoming fall sessions. Direct charges related to these sessions are reported in the period the tuition and fees are recognized as income.

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

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at June 30, 2013 and 2012 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences and the allowances for doubtful accounts. Actual results could differ from those estimates.

Subsequent Events
In accordance with generally accepted accounting principles, CSUS has evaluated subsequent events for the period after June 30, 2013, through December 17, 2013, the date the financial statements were issued. In October 2013, CSUS issued Revenue Bonds through the State of Connecticut Health and Education Facilities Authority totaling $80.3 million.

2. Cash, Cash Equivalents and Investments

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

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

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

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

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

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

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

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

CSUS follows the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 “Deposit and Investment Risk Disclosures” (“GASB 40”), and accordingly, CSUS has assessed the Credit Risk, Custodial Credit Risk, the Concentration of Credit Risk, and the Interest Rate Risk of its Cash, Cash Equivalents and Investments.

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSUS is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSUS’s guaranteed investment contracts was AA+, as rated by Standard & Poor’s Ratings as of June 30, 2013.

Custodial Credit Risk – At June 30, 2013 and 2012, the carrying amount of CSUS’s bank deposits was $1.5 million and $1.3 million, respectively, as compared to bank balances of $3.1 million and $3.5 million, respectively. The differences between the carrying amount and bank balances were primarily caused by deposits in transit and outstanding checks. Of such bank balances, $.8 million is covered by federal deposit insurance as of June 30, 2013 and 2012. The remaining balance of $2.3 million at June 30, 2013 is uninsured and uncollateralized and therefore subject to custodial credit risk. The remaining balance of $2.7 million at June 30, 2012 was insured from loss under Section 343 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (“DFA”). From December 31, 2010 through December 31, 2012, DFA provided unlimited deposit insurance coverage for non-interest bearing transaction accounts at all FDIC insured depositary institutions.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. 78% of

CSUS total cash, cash equivalents and investments is invested in the STIF and the State's pooled, interest credit program accounts as of June 30, 2013 compared to 84% at the end of fiscal year 2012.

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

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

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

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

3. Receivables

Receivables consisted of the following at June 30:

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

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

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

	2013	2012
Contributions and other receivables	$ 4,928,844	$ 5,168,348

4. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2013 and 2012. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts canceled under these provisions.

As CSUS determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the US Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2013 and 2012, the allowance for uncollectible loans was $3,068,056 and $2,934,572, respectively.

5. Due from the State of Connecticut

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

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

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).

6. Investment in Plant

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

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

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

7. Accrued Compensated Absences

Accrued compensated absences as of June 30, include:

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

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

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

These accruals represent estimated amounts earned by all eligible employees through June 30, 2013 and 2012. These accrued compensated absences will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of CSUS.

In May 2009, the State of Connecticut offered employees meeting certain criteria, a Retirement Incentive Plan ("RIP"). For those employees opting to accept the RIP, their accrued compensation for vacation and sick time in addition to incentive allocations were reclassified to a separate liability. Those amounts are to be paid out annually in equal installments over a three year period starting July 2012. The total amount of RIP liability was approximately $4.0 million and $6.2 million at June 30, 2013 and June 30, 2012, respectively. Approximately $1.9 million and $4.1 million of the RIP liability was noncurrent at June 30, 2013 and June 30, 2012, respectively, being reported as noncurrent other liabilities. At both June 30, 2013 and June 30, 2012, approximately $2.1 million was current and that portion is recorded as current other liabilities on the statements of net position.

8. Bonds, Notes Payable and Capital Lease Obligations

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

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

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

In fiscal year 2009 portions of the September 1997 self-liquidating bonds were refunded. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net position. The outstanding amount of the refunded bonds totaled approximately $.2 million at June 30, 2009. The refunding of the bonds resulted in a difference

between the reacquisition price and the net carrying amount of the old debt of approximately $30,000. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the refunding, CSUS will reduce its aggregate debt service payments by approximately $30,000 and achieve an economic gain of approximately $30,000.

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

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

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

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

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

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.

On June 17, 2005, CHEFA issued $50.6 million of Series G Revenue Bonds on behalf of CSUS. The Bonds mature from 2006 to 2035 with interest rates varying from three percent (3%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On June 17, 2005, CHEFA issued $48.5 million of Series H Revenue Bonds on behalf of CSUS, to advance refund portions of Series B, C, D and E. The Bonds mature from 2005 to 2019 with interest rates varying from two and one-half percent (2.5%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

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

On June 22, 2011 CHEFA issued $27.0 million of Series J Revenue Bonds on behalf of CSUS. The Bonds mature from 2012 to 2031 with interest rates varying from two (2.0%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On June 22, 2011, CHEFA issued $14.0 million of Series K Revenue Bonds on behalf of CSUS, to advance refund portions of Series E. The Bonds mature from 2012 to 2016 with interest rates varying from three percent (3.0%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On April 4, 2012, CHEFA issued $49.0 million of Series L Revenue Bonds on behalf of CSUS to advance refund portions of Series Bond E and current refund portions of Series Bond B. The Bonds mature from 2012 to 2029 with interest rates varying from two and one-half percent (2.5%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

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

In connection with the fiscal year 2012 refunding of portions of Series B and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result the refunded bonds are considered an in substance defeasance and the liability for those bonds has been removed from the statement of net position. Assets held in the trust accounts had an aggregate market value of approximately $53.6 million at June 30, 2012. The outstanding amount of the refunded bonds totaled approximately $47.7 million and $51.5 million at June 30, 2013 and 2012, respectively. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $2.5 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operation over the life of new bonds using the straight-line method. As a result of defeasance, CSUS will reduce its aggregate debt service payments by approximately $8.6 million and achieve an economic

gain (the difference between the present value of the old and new debt service payments) of approximately $4.2 million.

In connection with the fiscal year 2011 advance refunding of portions of Series E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position. Assets held in the trust accounts had an aggregate market value of approximately $15.5 million at June 30, 2011. The outstanding amount of the refunded bonds totaled approximately $14.7 million at both June 30, 2013 and 2012. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $.5 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operation over the life of new bonds using the straight-line method. As a result of defeasance, CSUS will reduce its aggregate debt service payments by approximately $1.0 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of approximately $.9 million.

In connection with the fiscal year 2007 advance refunding of portions of Series D, E and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net position. Assets held in the trust accounts had an aggregate market value of approximately $63.8 million at June 30, 2007. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $2.4 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled approximately $60.1 million at both June 30, 2013 and 2012.

In connection with the fiscal year 2005 advance refunding of portions of Series B, C, D and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately $52.8 million at June 30, 2005. The refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net position. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $3.1 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled approximately $49.3 million at both June 30, 2013 and 2012.

In connection with the fiscal year 2004 advance refunding of portions of Series A, B, C and D, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate market value of approximately $53.9 million at June 30, 2004. The refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net position. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $5.3 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled approximately $16.6 million and $25.7 million at June 30, 2013 and 2012, respectively.

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

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

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

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

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

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

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

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

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

9. Unearned Tuition, Fees and Grant Revenue

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

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

10. Retirement and Other Post Employment Benefits

Plan Description

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

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

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

Funding Policy

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

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

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

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

11. Commitments and Contingencies

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

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

CSUS had outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30, 2013 and 2012. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances at June 30, 2013 and 2012 were as follows:

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

12. Intra-University and Related Party Activities

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

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

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

13. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

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

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

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

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

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

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

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2013	2012
Liabilities								
Current liabilities:								
Accounts payable	$ 3,741,118	$ 2,034,587	$ 4,292,805	$ 763,311	$ 350,141	$ -	$ 11,181,962	$ 11,770,751
Accrued salaries and benefits	14,106,160	5,730,861	13,760,522	6,381,053	341,672	-	40,320,268	37,959,908
Accrued compensated absences	545,533	515,849	595,691	671,961	303,057	-	2,632,091	2,168,837
Due to the State of Connecticut	507,491	1,279,284	431,164	1,392,123	-	-	3,610,062	3,382,103
Due to SO and Universities	81,249	42,601	69,152	50,499	-	(243,501)	-	-
Unearned tuition,fees and grant revenue	60,689,486	39,984,644	61,538,564	32,309,256	78,349	-	194,600,299	189,977,908
Bonds payable	-	-	-	-	18,052,030	-	18,052,030	15,434,402
Accrued bond interest payable	-	-	-	-	1,966,577	-	1,966,577	1,824,960
Capital lease obligation	-	-	-	-	-	-	-	5,874
Other liabilities	3,349,996	186,334	4,190,934	465,439	336,157	-	8,528,860	7,145,430
Depository accounts	911,558	698,601	1,672,135	356,136	(180)	-	3,638,250	3,501,047
Total current liabilities	83,932,591	50,472,761	86,550,967	42,389,778	21,427,803	(243,501)	284,530,399	273,171,220
Noncurrent liabilities:								
Accrued compensated absences	12,077,807	6,424,913	10,568,759	5,821,126	1,156,756	-	36,049,361	34,172,144
Bonds payable	-	-	-	-	263,841,283	-	263,841,283	248,609,669
Due to SO and Universities	-	-	-	-	3,274,720	(3,274,720)	-	-
Federal loan program advances	3,136,752	1,459,188	3,549,051	1,632,106	-	-	9,777,097	9,777,097
Delayed compensation	-	-	-	-	190,662	-	190,662	190,362
Other-liabilities	717,547	133,970	812,330	217,662	8,437	-	1,889,946	4,130,879
Total noncurrent liabilities	15,932,106	8,018,071	14,930,140	7,670,894	268,471,858	(3,274,720)	311,748,349	296,880,151
Total liabilities	$ 99,864,697	$ 58,490,832	$ 101,481,107	$ 50,060,672	$ 289,899,661	$ (3,518,221)	$ 596,278,748	$ 570,051,371
Deferred inflows of resources:								
Premium on bonds payable	$ -	$ -	$ -	$ -	$ 8,761,549	$ -	$ 8,761,549	$ 2,691,397
Total deferred inflows of resources	$ -	$ -	$ -	$ -	$ 8,761,549	$ -	$ 8,761,549	$ 2,691,397
Net Position								
Invested in capital assets, net of related debt	$ 221,537,865	$ 241,903,674	$ 272,403,145	$ 204,915,935	$ (130,425,716)	$ 11,895,453	$ 822,230,356	$ 711,410,396
Restricted:								
Nonexpendable	-	60,000	(155,406)	407,116	-	-	311,710	400,569
Expendable	5,059,152	8,451,822	20,738,354	2,140,864	25,456	-	36,415,648	50,403,929
Unrestricted	46,682,175	10,588,795	27,898,262	23,560,194	17,854,027	-	126,583,453	126,107,398
Total net position	$ 273,279,192	$ 261,004,291	$ 320,884,355	$ 231,024,109	$ (112,546,233)	$ 11,895,453	$ 985,541,167	$ 888,322,292

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

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

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

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

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

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

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

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

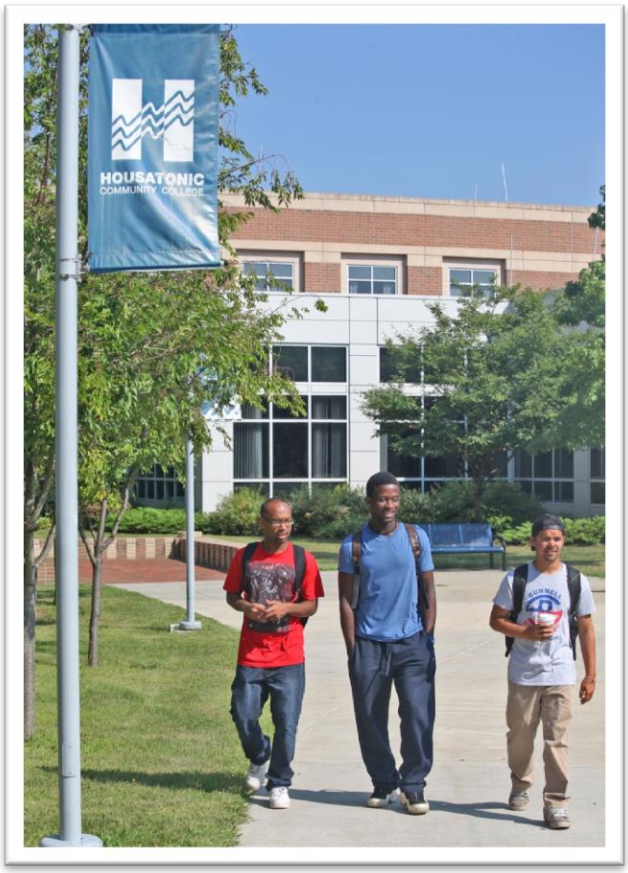
Connecticut State University System
Combining Statements of Cash Flows
June 30, 2013 with Comparative Totals as of June 30, 2012

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

Connecticut Community Colleges

Education That Works For a Lifetime

Financial Statements
with Supplementary Combining Information
June 30, 2013 and 2012



Connecticut Community Colleges

Education That Works For a Lifetime

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

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

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

Eugene L. Bell (CCC Student – Effective 3/13/2013)
Michael Fraser (CSU Student – Resigned 5/31/2013)
Sarah Green (CSU Student – Effective 10/11/2013)
Alex Tettey Jr. (CCC Student; term ended 2/22/2013)

Jewel Mullen – Commissioner of the CT Department of Public Health
Stefan Pryor – Commissioner of the State Board of Education
Sharon Palmer – Commissioner of the CT Department of Labor
Catherine Smith – Commissioner of the CT Department of Economic and Community Development

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

Connecticut Community Colleges

Education That Works For a Lifetime

Asnuntuck Community College
170 Elm Street
Enfield, CT 06082
Dr. Martha McLeod, President (Retired 7/1/2013)
James Lombella, Interim President (Effective 7/1/2013)

Capital Community College
950 Main Street
Hartford, CT 06103
Dr. Wilfredo Nieves, President

Gateway Community College
20 Church Street
New Haven, CT 06510
Dr. Dorsey L. Kendrick, President

Housatonic Community College
900 Lafayette Boulevard
Bridgeport, CT 06604
Ms. Anita Gliniecki, President

Manchester Community College
Great Path
Manchester, CT 06045-1046
Dr. Gena Glickman, President

Middlesex Community College
100 Training Hill Road
Middletown, CT 06457
Dr. Anna Wasescha, President

Naugatuck Valley Community College
750 Chase Parkway
Waterbury, CT 06708
Dr. Daisy Cocco DeFilippis, President

Northwestern Connecticut Community College
Park Place East, Winsted, CT 06098
Dr. Barbara Douglass, President

Norwalk Community College
188 Richards Avenue
Norwalk, CT 06854
Dr. David L. Levinson, President

Quinebaug Valley Community College
742 Upper Maple Street
Danielson, CT 06239
Dr. Ross Tomlin, President, (Resigned Oct 2012)
Dr. Robert Miller, Interim President (Nov-July)
Dr. Carmen Cid, Interim President (Aug 2013)

Three Rivers Community College
574 New London Turnpike
Norwich, CT 06360
Dr. Grace S. Jones, President

Tunxis Community College
271 Scott Swamp Road
Farmington, CT 06032
Dr. Cathryn L. Addy, President

System Office, Connecticut State Colleges & Universities
39 & 61 Woodland Street
Hartford, CT 06105
Dr. Robert Kennedy, President (Through 10/12/2013)
Dr. Philip Austin, Interim President (Through 6/30/2013)
Dr. Gregory W. Gray, President (Effective 7/1/2013)

Connecticut Community Colleges
Contents
June 30, 2013 and 2012

Connecticut Community Colleges
Education That Works For a Lifetime

Connecticut Community Colleges
Management's Discussion and Analysis
June 30, 2013 and 2012

Connecticut Community Colleges

Education That Works For a Lifetime

Introduction

Management's Discussion and Analysis provides an overview of the financial position and activities of the Connecticut Community Colleges ("CCC" or "System") for the fiscal year ended June 30, 2013, along with comparative information for the fiscal year ended June 30, 2012. This discussion has been prepared by and is the responsibility of CCC management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section. The discussion immediately following reflects the System as it existed during fiscal year 2013.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Connecticut Community Colleges and Charter Oak State College, effective July 1, 2011. The new Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees for Community-Technical Colleges". During a six-month transition period from July 1 through December 31, 2011, the existing boards remained in place but all actions taken were subject to ratification by the new Board of Regents, which held its first meeting in October 2011.

The Connecticut Community Colleges is a state-wide system of twelve regional community colleges, serving more than half of the undergraduates in public higher education in Connecticut (the "State"). The CCC's offer two-year associate degrees and transfer programs, short-term certificates, and individual coursework in both credit and non-credit programs, often through partnerships with business and industry. During fiscal year 2013, 108,219 people registered for credit and non-credit programs at the community colleges. During the fall 2012 semester, 58,228 students enrolled in credit courses, up 1.0% from the previous fall. Full-Time Equivalent ("FTE") enrollment was 32,569, a 0.9% decrease from the previous fall. During fiscal year 2013, 29,306 students also took a variety of non-credit skill-building and personal interest programs geared to enhancing workforce opportunities and personal development.

The Connecticut Community Colleges serve the needs of communities, students and businesses at convenient locations throughout the State:

- Asnuntuck Community College ("Asnuntuck") in Enfield
- Capital Community College ("Capital") in Hartford
- Gateway Community College ("Gateway") in New Haven and North Haven
- Housatonic Community College ("Housatonic") in Bridgeport
- Manchester Community College ("Manchester") in Manchester
- Middlesex Community College ("Middlesex") in Middletown and Meriden
- Naugatuck Valley Community College ("Naugatuck Valley") in Waterbury and Danbury
- Northwestern Connecticut Community College ("Northwestern") in Winsted
- Norwalk Community College ("Norwalk") in Norwalk
- Quinebaug Valley Community College ("Quinebaug") in Danielson and Willimantic
- Three Rivers Community College ("Three Rivers") in Norwich
- Tunxis Community College ("Tunxis") in Farmington and Bristol

The Connecticut Community Colleges serve an important role in the State's economy, providing convenient, accessible and flexible access to higher education for many of the State's "non-traditional" students, students age 22 or older. Open admission to all individuals who have a high school degree or equivalency, an emphasis on low student tuition and fees, and a policy goal of making financial aid available to meet the direct costs of attendance for students who demonstrate financial need, help to ensure access to all students regardless of income. The large majority of students study part time (66.3% in fall 2012), most are female (58.6%) and many are employed while pursuing their education. While the typical CCC student is an adult (55.8% of CCC students were age 22 or older in fall 2012), increasing numbers of high school graduates under age 22 are turning to Connecticut's Community Colleges as a low cost, quality alternative for achieving the first two years of an undergraduate education. The number of credit students studying full time decreased from 20,299 or 35.2% in the fall of 2011, to 19,601 students or 33.7% in the fall 2012.

As outlined in Connecticut General Statute 10a-80, the primary responsibilities of the community colleges are:

1) To provide programs of occupational, vocational, technical and technological and career education designed to provide training for immediate employment, job retraining or upgrading of skills to meet individual, community and State manpower needs;
2) To provide programs of general study including, but not limited to, remediation, general and adult education and continuing education designed to meet individual student goals;
3) To provide programs of study for college transfer representing the first two years of baccalaureate education;
4) To provide community service programs; and
5) To provide student support services including, but not limited to, admissions, counseling, testing, placement, individualized instruction and efforts to serve students with special needs.

Reporting Entity

The financial statements report information about the System as a whole. The State of Connecticut Public Act 11-48 created a new Board of Regents to manage the operations of the community colleges, effective January 1, 2012. The new Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees for Community-Technical Colleges". The former Board of Trustees was established under Connecticut General Statutes 10a-71 et. seq., with authority to administer and govern the regional community-technical colleges, in accordance with state-wide policy and guidelines established by the Department of Higher Education through December 31, 2011. The policies enacted under the former Board of Trustees remain in effect until superseded specifically by the current Board of Regents.

The System is budgeted as a single agency by the State, and operated under the direction of the Board of Regents through a System Office management staff. However, within guidelines provided by the Board and its System Office, each of the twelve colleges is operated as a separate institution with its own executive, academic and administrative management, and each is held accountable for its academic programs as well as its financial position and financial operations. In addition, each college is recognized as a separate entity for Federal Title IV financial aid programs, and each college achieves separate accreditation from the New England Association of Schools and Colleges ("NEASC") and other specialized accrediting bodies depending upon the particular programs of study. Therefore, supplemental financial statements (excluding the footnotes), are included for each institution to further support and clarify the System financial statements. The System and individual college financial information is presented in the "primary institution" column of the various system-wide and college supplementary financial statements that follow.

In addition, each of the twelve colleges has a related college foundation (referred to collectively as the "Foundations") which performs fundraising and provides various levels of support and service to its respective college. Each of the college Foundations is a legally separate, tax-exempt non-profit organization separate from college control. These Foundations, established in accordance with Connecticut General Statutes section 4-37e to provide funding for scholarships or other direct student financial aid, and for programs, services or activities at the associated college, are component units included within the System financial statements based on the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14* ("GASB 39"), regarding criteria for affiliated organizations. Those criteria include the fact that the economic resources of each foundation are received and held entirely for the direct benefit of the respective college; that each college has the ability to access the economic resources held by its foundation, or has historically received resources from or had requests for resources honored by its foundation; and that the foundations' economic resources are significant to each college.

The financial information of the college Foundations is discretely presented and identified in the "component unit" column of the various system-wide and college financial statements. Because under Connecticut statutes each foundation may establish its own accounting (fiscal) year as any twelve month period, not all twelve foundations have a fiscal year-end which coincides with the CCC June 30 year-end; some have fiscal years which end at December 31. GASB 39 allows component unit information to be up to eleven months older than that of the CCC primary institution, therefore the component unit information reflects foundation statements from each foundation's most recent fiscal year, ended either December 31, 2012 or June 30, 2013. All Foundation statement information is based on separately prepared foundation financial statements, which are audited as required by State statute (annually above a certain size, but not less than once every three years). Under pre-existing Connecticut statutory and CCC Board policy requirements, various foundation

information, including the foundation financial statements, is reviewed at a high level by the college president and the college chief financial official, and forwarded to the System office annually for transmittal to the State Auditors of Public Accounts. CCC management relies upon individual college and foundation compliance with these requirements, and the independently audited foundation financial statements, to ensure that information presented in the component unit section of the CCC statements is materially correct.

In addition to the college Foundations, effective July 1, 2004 the Board assumed responsibility for the Great Path Academy ("GPA"), an inter-district magnet high school located on the Manchester Community College ("Manchester") campus, whose mission is to provide an innovative learning environment that supports students from diverse backgrounds in developing the values, self-discipline, work habits, academic and life skills needed to achieve success, and to bridge the gap between secondary and postsecondary education by immersing high school students into the college community and providing access to college coursework. Great Path Academy is a separate legal entity established under section 10-264l of the Connecticut General Statutes. Public Act 04-213 amended C.G.S. 10-264l to permit the Board, on behalf of Manchester Community College, to sponsor and apply for funding to construct and operate a magnet school. The Board, by a resolution dated April 13, 2012, delegated to Manchester Community College overall responsibility for the mission, design, implementation and assessment of the GPA magnet school. Manchester contracted with Hartford Public Schools ("HPS") to assume responsibility for the day-to-day operations of GPA through June 2017. The Governing Board of GPA, which includes representation from Manchester Community College and the boards of education of Bolton, Coventry, East Hartford, Glastonbury, Granby, Hartford, Manchester and Tolland, agreed and signed a Memorandum of Understanding ("MOU") in August 2013 to dissolve the Governing Board and create a College Readiness Alliance.

During the 2008 legislative session, Public Act 08-169 amended C.G.S. 10-283, effective July 1, 2008, to permit the Board, on behalf of Quinebaug Valley Community College ("QVCC"), to sponsor and apply for funding to construct and operate an inter-district magnet school. During fiscal year 2009, the Quinebaug Valley Middle College ("QMC") opened utilizing existing space on the Quinebaug Valley Community College Campus, with 34 tenth grade students, beginning in the fall of 2008. The new addition to the campus to house QMC is under construction and scheduled to open in January 2014. The addition of a total of 43,000 gross square feet to the QVCC complex will allow QMC to grow from its present level of approximately 130 students to 220 students over the next few years

The QMC vision is based on the notion that student learning flourishes in an environment in which high expectations and achievement are integral; where rigorous, relevant instruction is provided; and where the real-world application of skills is conducted in a community of strong, positive and caring relationships. The QMC has as its theme the middle college experience, with a curriculum focused on literacy in its broadest sense, contextual or problem-based learning, and creativity and innovation.. The Board has overall responsibility for the mission, design, implementation and assessment of the QMC, and has agreed with EASTCONN, a regional education service center, for EASTCONN to assume responsibility for the day-to-day operations of QMC.

The GPA and QMC entities meet the criteria for inclusion as component units in the financial statements of CCC and are discretely presented and identified in a single column on the face of the CCC financial statements of net position.

Overview of the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* ("GASB 35"), as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, ("GASB 37"); No. 38, *Certain Financial Statement Note Disclosures* ("GASB 38"); and No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14* ("GASB 39"). GASB 35 extended the state and local government financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34") to include public colleges and universities. GASB 35 established standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of the System as a whole. As required by GASB 34 and 35, a comparative analysis of

fiscal year 2013 financial data with fiscal year 2012 is also presented, both for the CCC *primary institution*, as well as for the twelve college foundations *component unit* information, and for the two magnet high schools component unit information at Manchester and Quinebaug Valley Community Colleges.

In fiscal year 2013 the system adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 introduced new financial elements, "deferred inflows of resources" and "deferred outflows of resources". This change required the "Net Assets" section of the balance sheet be replaced by "Net Position". The same replacement of terminology occurs in all formal use of the term throughout the financial statements.

The CCC report as a special-purpose government agency engaged only in *business-type activities* ("BTA"), with much of the cost of providing service recovered through tuition and fees charged to students and other external users in exchange for service. Required financial statements include the Statement of Net Position ("SNP"), the Statement of Revenues, Expenses and Changes in Net Position ("SRECNP"), and the Statement of Cash Flows ("SCF"). A review of these financial statements can provide information regarding both short-term profitability and liquidity, as well as long-term financial viability and financing of the CCC's, helping to answer the important question of whether the System's financial condition continues to support the achievement of its operating objectives and mission.

While the CCC financial statements include the foundation and magnet high school statement numbers, no attempt has been made to reformat or compare incompatible FASB standards applied by the foundations, with GASB standard applied by the CCC's, nor have the foundation financial statement footnotes, disclosures or other detailed information included in the separate foundation statements, been re-stated herein. Unless otherwise specifically stated, the management discussion, notes and disclosures in the CCC statements refer to the CCC primary institution, not to the foundation or magnet high school component units.

The **Statement of Net Position** presents the overall financial position of the System at the end of fiscal year 2013, compared with fiscal year 2012, and includes all assets and liabilities of the Connecticut Community Colleges, including capital assets net of depreciation. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – or net position – is one indicator of the current financial condition of the System. Over time, increases or decreases in net position may serve as an indicator of whether the financial health of the Connecticut Community Colleges is improving or deteriorating, although other factors including enrollment and condition of physical facilities must also be considered. The Statement of Net Position classifies assets and liabilities as *current* and *non-current*. In general, current liabilities are those that will be paid within one year of the date of the statement of net position. Current assets are those that are available to satisfy current liabilities. Comparisons of current assets to current liabilities can provide an indication of the System's ability to meet its obligations in the short term.

Net Position balances represent resources available to support future operations. Net Position classified as *Invested in Capital Assets* provide an indication of the State's and the System's investment in long-lived assets such as land, buildings, technology infrastructure, library holdings, machinery and moveable equipment, necessary to support the educational mission on a long-term basis. *Restricted-Nonexpendable* net position are required by donor or legal restrictions to be maintained in perpetuity, such as endowments. *Restricted-Expendable* net position provide an indication of non-exchange resources available for specific purposes based on donor or legal restrictions, including unexpended capital (bond fund) appropriations, scholarship donations, and other non-capital gifts. *Unrestricted Net Position* provide an indication of the one-time financial reserves available to supplement current-year revenues or to provide resources for designated program expansions or capital investment, and as such can provide an indication of the financial health and flexibility of the System, as well as its ability to weather short-term financial difficulties.

The **Statement of Revenues, Expenses and Changes in Net Position**, like the Statement of Net Position, is prepared using the *economic resources measurement focus*, which includes both financial resources and capital resources. As required by GASB 35, both statements also utilize the *full accrual basis of accounting*, similar to that used by corporations and private colleges and universities, which recognizes revenues when goods or services are provided, and expenses when goods or services are consumed, regardless of when the related inflows and outflows of cash occur. The SRECNP provides

information regarding whether the System is receiving sufficient revenues each year to cover the costs incurred in providing its educational and other services to students and the public.

The SRECNP classifies revenues and expenses into *operating* and *non-operating*. Operating revenues – those which are generated as a result of the System's regular educational and public service activities – do not include State appropriations. Therefore, the Connecticut Community Colleges and virtually all public colleges and universities that rely on government appropriations as a major source of (non-operating) revenue, will show an operating loss on the Statement of Revenues, Expenses and Changes in Net Position.

GASB 34 and 35 require that revenues be reported *net of discounts and allowances*. Therefore, for financial reporting purposes, student tuition, fee and other revenues are reduced by the value of student financial aid and tuition and fee waivers used to pay off these charges. Similarly, student financial aid and waiver expenses are reduced to the extent used to pay off tuition and fee charges. The resulting net revenues reflect only the revenues to be actually paid by or on behalf of students, and the resulting net financial aid/waiver expense reflects only the amount of financial aid actually paid to students above any amounts used to satisfy tuition and fee charges. The SRECNP shows both the gross and contra, or reduction, tuition and fee revenue amounts. (Other student revenues are reported on a net basis only, after reduction for student financial aid used to pay the related student charges.) Users of this financial statement should be aware of the difference from data reported prior to fiscal year 2002, when both tuition and fee revenues, and financial aid/waiver expenses, were reported on a gross basis.

Governments, including public colleges and universities, are required under GASB 34 and 35, to record *depreciation expense* for all capital assets. The SRECNP records a portion of the initial capital outlay each year as depreciation expense, over the expected useful life of the asset. This differs from budgetary practices, which record all capital outlays as expenditure against the current year appropriation or budget.

The **Statement of Cash Flows** presents information related to cash inflows and outflows summarized into the categories of operating, non-capital financing, capital financing and investing activities. (State appropriations, which are considered to be cash equivalents, are also included in this statement. These State appropriations include the CCC general fund appropriation and the value of associated fringe benefits, CCC-administered bond funds, and bond funds administered by DCS on behalf of the System.) The Statement of Cash Flows utilizes the direct method, providing information regarding where cash and cash equivalents originate and the purposes for which they were used during the year, and the net change in cash and equivalents during the year. This statement provides information regarding the System's ability to meet short-term financial obligations, its ability to generate future cash flows, and its liquidity, solvency and financial flexibility. It can also help users assess the reasons for differences between changes in net position and the associated cash receipts and payments.

Financial Highlights

The Connecticut Community Colleges had total assets of $875.3 million, liabilities of $93.1 million, and a total net position balance of $782.2 million at June 30, 2013. Of this amount, $15.2 million is classified as unrestricted net assets, a $13.1 million decrease from 2012, following a $10.9 million decrease in 2011.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $211.5 million, a 1.5% decrease over the previous year. Operating expenses were $488.5 million, an increase of 2.2% over the previous year, resulting in an operating loss of $277.0 million during the year ended June 30, 2013. Net non-operating revenues and other changes were $277.5 million, up 3.2% from the previous year, reflecting a $4.0 million increase in bond appropriations and a $3.6 million increase in general fund appropriations. Overall the CCC's experienced a net increase in net position of $0.5 million during fiscal year 2013.

Cash and cash equivalents were $182.6 million at June 30, 2013, including $62.0 million of cash equivalents in the form of State bond appropriations administered by the CCC's, and $41.5 million of State bond appropriations administered by the Department of Administration Services ("DAS") on behalf of the System. DAS-administered cash equivalents (bond appropriations) decreased from $56.1 million at June 30, 2012 to $41.5 million at June 30, 2013, reflecting expenditures of $23.3 million and new bond appropriations of $13.7 million and $1.8 million in transfers from DAS to the colleges. Total

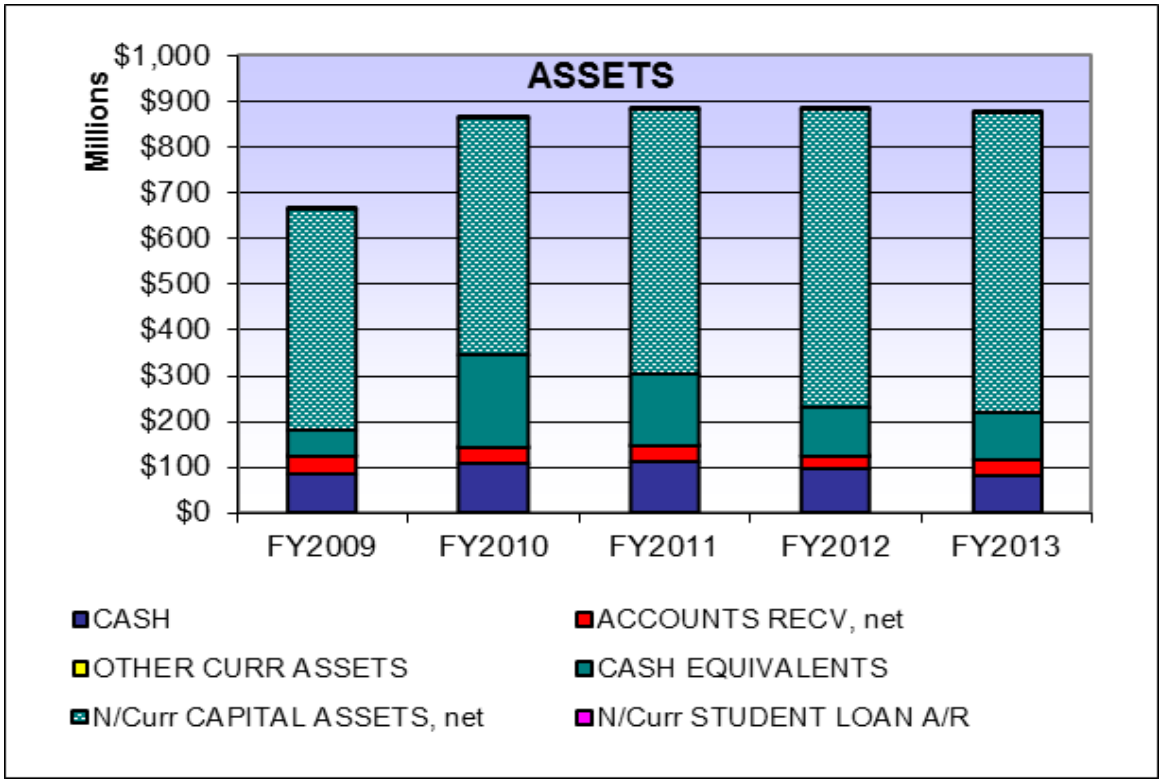
current assets were $217.0 million at June 30, 2013. The ratio of unrestricted current assets of $97.7 million to unrestricted current liabilities of $45.8 million is 2.1:1 in 2013, down from 2.5:1 in 2012. The current ratio reflects a financial position sufficient to provide short-term liquidity. However, as the State continues to address budget shortfalls over the next few years, management will continue to carefully monitor liquidity metrics. Non-current liabilities decreased by 0.5%, to a total of $36.9 million at June 30, 2013. This significant liability includes $36.7 million for the long-term portion of the accrued value of benefits earned by employees which must be paid out when they retire or otherwise terminate service in the future (net of the estimated amounts to be paid out in the upcoming year). This large and essentially unfunded accrued compensated absence ("ACA") liability continues to represent a long-term obligation on the System's financial flexibility.

Condensed Statements of Net Position
June 30, 2013, 2012 and 2011
(in thousands)

	Primary Institution				
	2013	2012	2011	% Change current yr	% Change prior yr
ASSETS					
Current assets	$ 217,041	$ 229,587	$ 302,720	(5) %	(24) %
Non-current assets	658,276	650,499	578,935	1	12
Total assets	$ 875,317	$ 880,086	$ 881,655	(1) %	(0) %
LIABILITIES					
Current liabilities	$ 56,255	$ 61,324	$ 65,282	(8) %	(6) %
Non-current liabilities	36,861	37,060	40,303	(1)	(8)
Total liabilities	93,116	98,384	105,585	(5)	(7)
NET POSITION					
Invested in capital assets	657,917	649,998	578,431	1	12
Restricted-nonexpendable	20	20	20	-	-
Restricted-expendable	109,089	103,366	158,429	6	(35)
Unrestricted	15,175	28,318	39,190	(46)	(28)
Total net position	782,201	781,702	776,070	0	1
Total liabilities and net position	$ 875,317	$ 880,086	$ 881,655	(1) %	(0) %

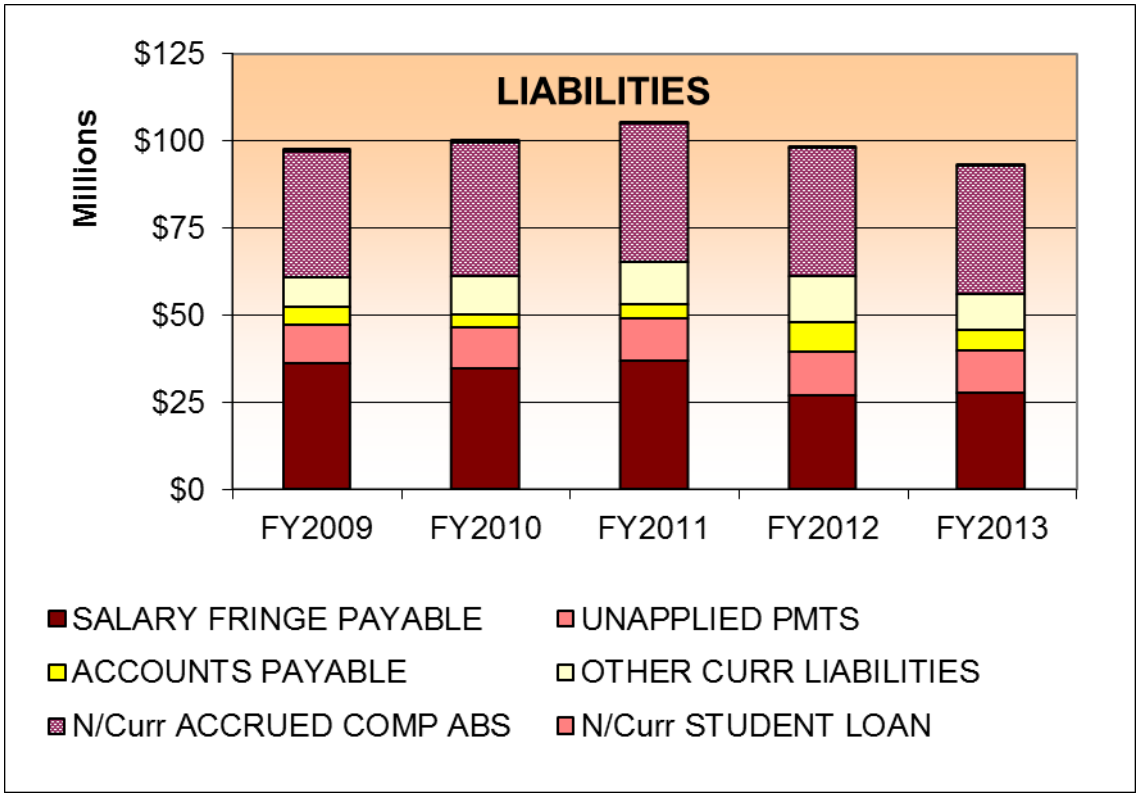
Total assets were $875.3 million at the end of the 2013 fiscal year, down from $880.1 million at the end of fiscal year 2012 and down from $881.7 million at the end of fiscal year 2011. *Current assets* include cash and cash equivalents of $182.6 million, consisting of $1.3 million of cash held in restricted agency accounts for student activity, institutional welfare, and student loan funds, $77.8 million in restricted and unrestricted operating funds, $62.0 million in agency-administered bond appropriations, and $41.5 million in DAS-administered bond appropriations. The $12.5 million net decline in current assets from the previous year is largely attributable to a $14.1 million decrease in cash from current operations. Current assets in fiscal year 2013 also include tuition and fee accounts receivable of $3.8 million, net of a $1.9 million allowance for doubtful accounts. Net tuition and fee accounts receivable represent current amounts due for the summer 2012 through spring 2013 academic terms, and are approximately 2.2% of total gross tuition and fee revenues, up from 1.8% in fiscal year 2012. Accounts receivable also include $24.1 million of employee salary and fringe benefit expense accrued at June 30, 2013 due from the State general fund, a 3.1% increase from the previous year. Also included in accounts receivable are $4.8 million of restricted government and private grant receivables. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short Term Investment Fund ("STIF") on behalf of State agencies. The CCC's do not carry any other separate investments.

Non-current assets increased 1.2% from $650.5 million at June 30, 2012, to $658.3 million at June 30, 2013, following an increase from $578.9 million in fiscal year 2011. Student loan receivables declined by 28.5% to $358 thousand in 2013 as colleges continue to close out their NDSL Loan programs. Net capital assets increased by 1.2% from $650.0 million to $657.9 million at June 30, 2013. At June 30, 2013, capital assets in service totaled $884.1 million, offset by $247.8 million in accumulated depreciation; this compared with $690.9 million and $222.7 million, respectively, at the end of fiscal year 2012. Buildings and building improvements increased by $185.6 million, $182.7 million of which is attributable to the completion of Gateway's new downtown campus. Non-current assets also include land and land improvements of $15.3 million and $7.4 million, respectively, infrastructure, vehicles and software, as well as furnishings and equipment of $27.1 million net of accumulated depreciation, and library books of $3.6 million net of depreciation at June 30, 2013.



Total liabilities were $93.1 million at the end of fiscal year 2013, a decrease from $98.4 million at the end of fiscal year 2012. *Current liabilities* consist primarily of employee salary and fringe benefits payable of $27.8 million and unapplied payments of $12.1 million, primarily collected in advance for late-summer and fall 2013 academic terms. Additional current liabilities include deferred revenues of $3.6 million for restricted grant activities to be performed, vendor accounts payable of $6.0 million, agency fund liabilities of $1.3 million, and $3.9 million for the estimated value of accrued compensated absences (sick and vacation time benefits) that will be paid within the coming year to employees who terminate or retire, as well as $1.4 million of retainage on facility projects.

Non-current liabilities consist almost exclusively of long-term accrued compensated absences – $36.7 million net of $3.9 million of current liabilities – to be paid out to terminating employees over time in the future beyond one year. The total ACA liability of $40.5 million (long-term and current) represents approximately 41.5% of the existing *unrestricted* current assets that are available to pay for these previously earned employee benefits, and causes the reported unrestricted net position balance to be significantly reduced. In practice, however, much of these payouts are funded through current-year revenues rather than through existing net position.



The total net position balance includes $657.9 million *Invested in Capital Assets* net of related debt and depreciation. The Connecticut Community Colleges do not carry any capital debt, as property acquisitions, facility construction and major renovations are financed by capital appropriations made to one or more of the CCC's. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in the CCC financial statements. Capital additions may also be financed by the use of unrestricted net position reserves generated from student tuition and fee revenues and other operating activities, and by capital gifts and grants.

One of the critical factors in continuing the quality of the System's academic and public service programs is the development and renewal of its capital assets, including facilities, technology infrastructure and equipment. The significant pace of technological change and obsolescence means that educational equipment, technology infrastructure and computer software and hardware systems must be replaced and upgraded on a regular basis. The Connecticut Community Colleges continue to implement a long-range capital plan to provide for new and renovated campus facilities necessary to meet academic program needs, and to provide for on-going capital equipment and technology upgrades and replacement, through significant on-going support of the governor's office and annual bond funding authorized by the State legislature.

The $50.8 million in new bond fund appropriations in fiscal year 2013 included $9.1 million for System administered projects and repairs and $13.7 million for DAS administered projects. Major projects completed in fiscal year 2013 included Gateway's new $183 million green campus building in downtown New Haven which opened for classes in the Fall of 2012, manufacturing lab renovations at Housatonic and Naugatuck Valley, HVAC renovations at Housatonic and a new fire sprinkler system at Quinebaug Valley.

Projects in progress in fiscal year 2013 included:

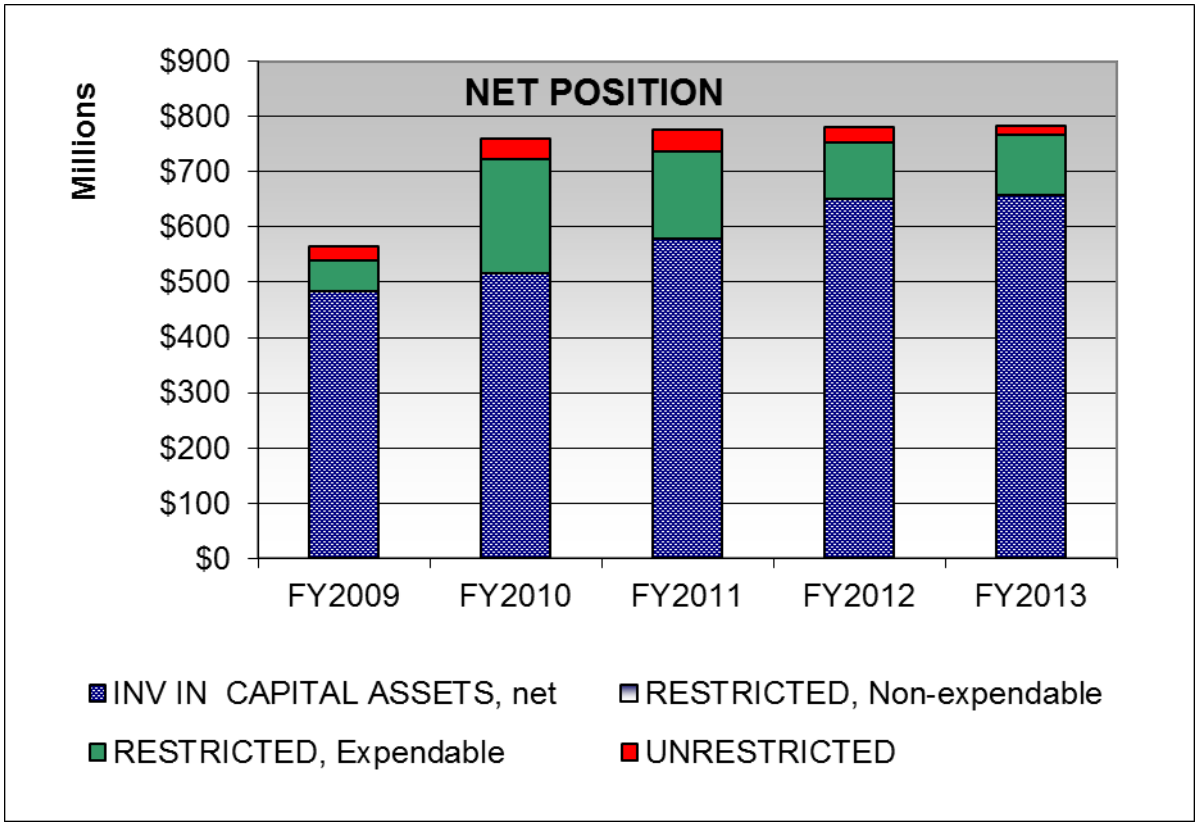
- Asnuntuck – Construction of a more expansive and inclusive welding technology center, HVAC improvements, a new main equipment room, radio station addition and electronics lab reconfigurations.
- Capital - Reroofing and rooftop platform replacement
- Housatonic – Design work on Phase III renovations to Lafayette Hall

- Manchester - Parking lot and site improvements, a new fire sprinkler system for the west half of the Lowe building completed in October, and ADA bathroom renovations
- Middlesex - Founders Hall cafeteria expansion and renovations of physics and anatomy labs
- Naugatuck Valley - Design for major site improvements, design for renovations to Founders Hall, and restoration of the pedestrian bridge to Ekstrom Hall completed in September 2013
- Northwestern - Design for the new Joyner Learning center for the Vet Tech and Allied Health programs, scheduled to go out to bid in January of 2014, with a possible fall 2015 occupancy and building envelope restoration to Greenwoods Hall
- Norwalk – Improvements to the college's culinary center and pedestrian bridge
- Quinebaug Valley – Boiler replacement and architectural selection completed this fall for design of a new10,000 gross square foot manufacturing center
- Three Rivers – Design of a new auditorium and art classroom building consisting of 15,076 gross square feet, and renovations to the "D", "C", and "E" wings to replace existing doors and exterior windows
- Tunxis - Phase II Classroom Building addition, begun in December 2011 and substantially complete for the fall 2013 semester. The $18.3 million addition provides 19 classrooms and a conference room.

Last summer the State Legislature authorized $44 million for design and construction of a new 69,000 gross square foot academic building for Middlesex. The project will seek an allocation of $4.5 million in the spring of 2014 to begin the design phase.

The CCC's have a minimal level of *Restricted-Nonexpendable* net position as the colleges do not generally carry any permanent endowment as a direct activity. However, each college has a related foundation which administers an endowment fund on behalf of its respective college, in accordance with the State's endowment matching grant program. Under this program, beginning in calendar year 1998 through calendar year 2012, eligible gifts made to the endowment were to be matched by a 50% State match up to specified maximum amounts. During the 2005 legislative session, the 50% match was amended to apply to eligible gifts received through calendar year 2004, with a lower 25% match to be provided for subsequent years, and with no new matching funds to be appropriated until the State's Budget Reserve Fund equals ten percent of net General Fund appropriations. During each of the fiscal years 2009 through 2013, no State match funding was received. Remaining State matching receivables of $3.2 million for gifts received in calendar years 2004 through 2012 remain unfunded. The sum of the net receivable for the State match included by the foundations in their statements at June 30, 2013 is $337 thousand. Investment income earned on the endowment may be used for scholarships and programmatic enhancements by each college or by its foundation on behalf of the college. Financial information related to the college foundations is included in the CCC financial statements, but is discretely presented as *component units*, and is therefore not reflected within the CCC *primary institution* restricted-nonexpendable net position. Most college foundations are no longer reflecting the State match as a receivable due to the unpredictable timing of its receipt, but will instead reflect revenues if and when the match is provided.

Restricted-Expendable net position represent primarily bond fund appropriation balances at June 30, 2013 ($60.8 million in funds managed by the CCC's and $38.6 million for projects managed by DAS), funds held in restricted accounts pending distribution under the terms of the Board's collective bargaining agreement with its professional unions ($8.9 million), loan fund balances ($0.3 million), as well as private gifts and donations, mostly for scholarships, whose revenues have been recognized but not yet expended. Changes in restricted-expendable net position are related primarily to the change in bond fund appropriation revenues and expenses in connection with various facility projects. Other restricted activities include a significant level of federal, state and private "exchange" grants and financial aid programs which do not generate any net position balances because all revenues are offset by corresponding expenses, with a net difference of zero. Revenue is recognized only when the exchange occurs, generally at the point of expenditure.



Unrestricted net position ("UNP") decreased by $13.1 million to $15.2 million during fiscal year 2013, following a decrease of $10.9 million in 2012 and $1.3 million increase in 2011. The declines in recent years follow a period of cash usage exceeding cash provided by operating and non-operating sources. However, the twelve-year table below of aggregate CCC UNP, expressed in millions, illustrates that it is not uncommon to have large swings in the year end balances:

FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
$6.5	$4.1	$7.2	$10.2	$16.2	$29.8	$32.8	$24.2	$37.9	$39.2	$28.3	$15.2

At the end of fiscal year 2013, three of the twelve colleges had negative UNP, compared with two in 2012 and one in 2011. Board policy requires colleges which do not meet its minimum net position and liquidity requirements to implement budget plans over the succeeding three years to bring their UNP and unrestricted current ratio into compliance with Board policy in order to enhance their short- and long-term financial health and viability, and to permit the continued development of responsive academic programs and services.

Connecticut Community Colleges
Education That Works For a Lifetime

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013, 2012 and 2011
(in thousands)

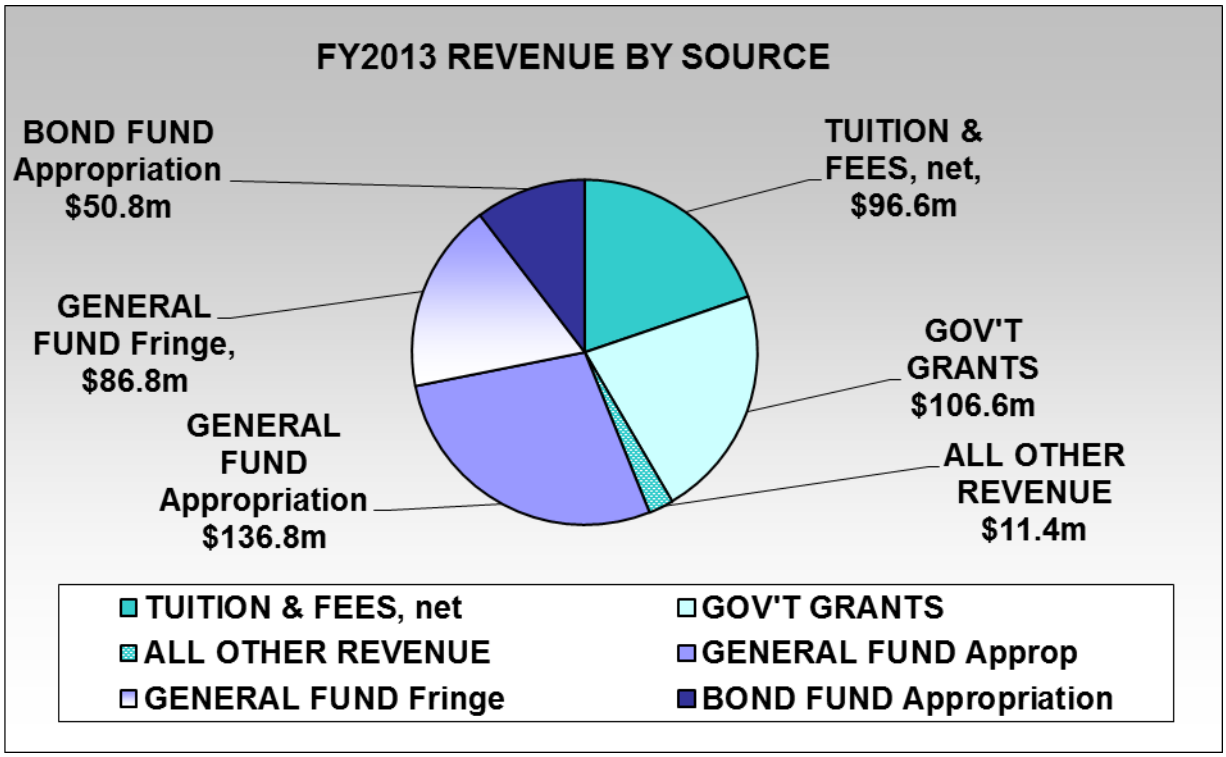
	2013	2012	2011	% Change current yr	% Change prior yr
OPERATING REVENUES					
Student tuition and fees	$ 173,297	$ 169,881	$ 167,526	2 %	1 %
Less: Scholarship discounts and allowances	(76,661)	(73,964)	(70,071)	4	6
Net tuition and fees	96,636	95,917	97,455	1	(2)
Government grants and contracts	106,621	107,170	106,922	(1)	0
Additional operating revenues	8,221	11,654	9,780	(29)	19
Total operating revenues	211,478	214,741	214,157	(2)	0
OPERATING EXPENSES	488,496	478,044	479,985	2	(0)
Operating loss	(277,018)	(263,303)	(265,828)	(5)	1
NON-OPERATING REVENUES					
State appropriations - general fund *	223,621	219,976	244,782	2	(10)
State appropriations - bond fund **	50,768	46,728	36,127	9	29
Other non-operating revenues (expenses), net	3,128	2,231	238	40	837
Net non-operating revenues	277,517	268,935	281,147	3	(4)
Net income	499	5,632	15,319	(91)	(63)
Change in net position	499	5,632	15,319	(91)	(63)
NET POSTION					
Net position, beginning of year	781,702	776,070	760,751	1	2
Net position, end of year	$ 782,201	$ 781,702	$ 776,070	$ 0 %	$ 1 %

* Including fringe benefits
** Including agency and DCS administered

Total *operating revenues* for fiscal year 2013 were $211.5 million after reduction for scholarship allowances as required by GASB 35, down 1.5% from $214.7 million in fiscal year 2012, and $214.2 million in fiscal year 2011. *Student tuition and fees* represent the largest portion of operating revenue on a gross basis, but are offset by $76.7 million of student financial aid and waivers applied to student tuition and fee charges, resulting in net tuition and fee revenue of $96.6 million after scholarship allowances. This differs from budgetary practices, which recognize revenue on a gross basis without offset for scholarship allowances. On a gross basis, fiscal year 2013 tuition revenues increased 3.0% from the previous year, to $125.8 million, following a 0.3% increase from 2011 to 2012. These revenues reflect a FTE credit enrollment increase of 0.3% in fiscal year 2013 and a decrease of 1.5% in fiscal year 2012. Extension fee revenues of $23.1 million decreased by 4.3% during fiscal year 2013, extension non-credit continued its downward trend, affected by the declining economy. Extension credit for the System rose 1.7% when Gateway is removed from the equation. Gateway moved to their new downtown campus during the 2012 summer, adversely impacting their summer revenue. Other fee revenues (gross) of $24.4 million at June 30, 2013 included college services fees of $18.7 million; required laboratory, studio and clinical fees totaling $4.5 million; and other fees of $1.2 million, including application fees, installment payment plan fees, late fees, credit by exam fees, check return fees, and others.

Government grant revenues at June 30, 2013 were $106.6 million, federal dollars up $0.9 million and state dollars down $1.5 million from the previous fiscal year. Government grant revenues are comprised primarily of student financial aid programs including the Federal Pell and Supplemental Education Opportunity Grant ("SEOG") programs, and the State of Connecticut Aid to Public College Students ("CAPCS") grants. Other government grants include funding for various program-related activities.

Additional operating revenues during 2013 include approximately $4.2 million in sales or commission revenues from college- or vendor-operated cafeterias, bookstores, daycare centers and other activities, up 1.5% from 2012. During fiscal year 2013, additional operating revenues also included $550 thousand of incidental gross sales revenues related to the student experience component of various instructional programs including early childhood education, food services and allied health. Private grant and contract revenues of $2.8 million are also reflected in the $11.4 million of all other revenue for fiscal year 2013, down from $13.9 million in fiscal year 2012 and up from the $4.4 million in fiscal year 2011. (Private resources also included $2.5 million of private *non-operating* gifts.)

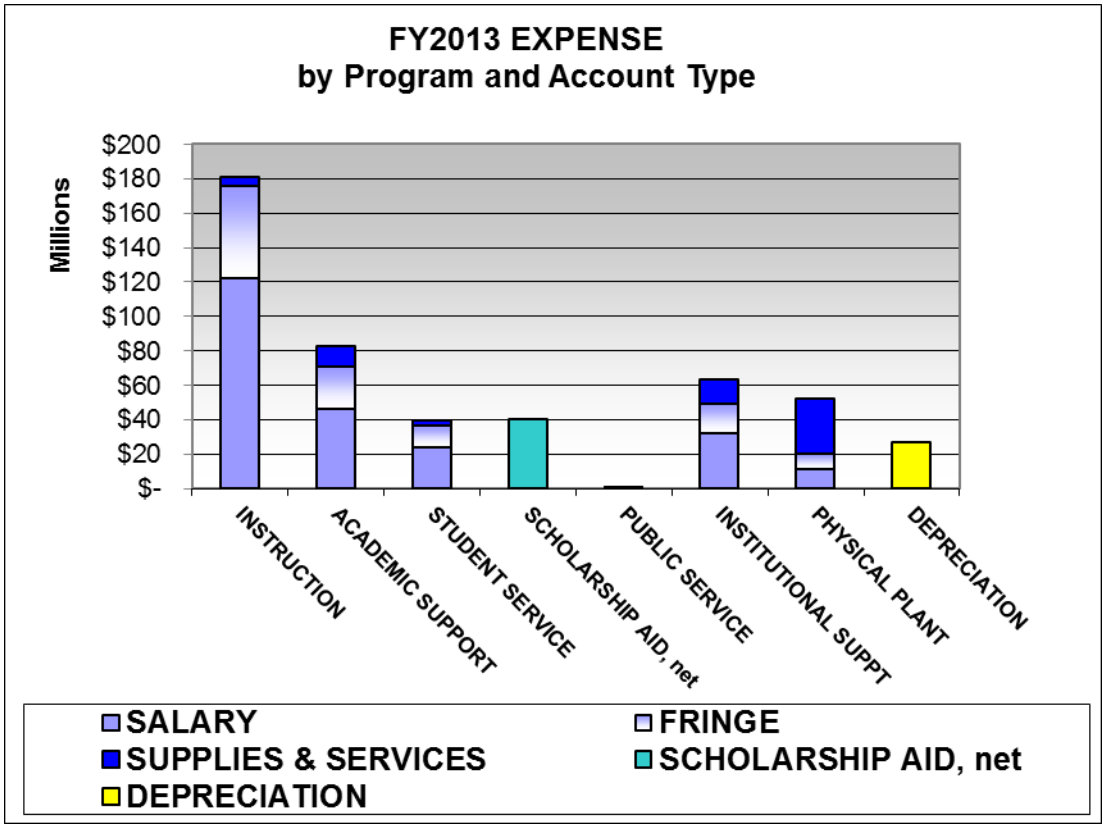


Total *operating expenses* for fiscal year 2013 were $488.5 million, after reductions for the amount of student financial aid and waivers applied to student tuition and fees. This reflects an operating expense increase of 2.2% from $478.0 million in fiscal year 2012, compared with a decrease of 0.4% from $480.0 million in fiscal year 2011. The $10.5 million increase in fiscal year 2013 consists primarily of increases in fringe and depreciation of $12.7 and $5.9 million respectively, offset by decreases in other non-capital expenditures, net scholarship aid, and salaries and wages, of $3.7 million, $2.6 million, and $2.0 million respectively.

Operating expenses included $353.5 million for salary and wages and related fringe benefits, or 72.4% of total operating expense. In addition, operating expense included $40.1 million in net scholarship aid expense refunded to students, $27.4 million in depreciation expense and $67.4 million for all other service and supply costs. Service and supply costs include $8.7 million in non-capital telecommunications and information technology-related services and supplies; premises and property-related expenses including utilities, security, maintenance and repairs, custodial and grounds, and other related costs totaling $26.3 million; and all other non-personnel costs of operating the colleges.

All financial aid grants and waivers which are applied to pay off student tuition and fee charges are reported as a reduction or "discount" of tuition and fee revenue. Only the financial aid amounts actually refunded to students above the amount used to pay for required tuition and fees is recorded as a financial aid expense. This differs from budgetary practices, which record all student *financial aid grants and waivers* as expenditure against current year appropriation or budget. On a *gross* basis, $116.8 million of student *financial aid grants and waivers* were awarded in fiscal year 2013, essentially unchanged from fiscal year 2012. During award year 2013, 28,646 students received federal Pell grant awards, an increase of 963 students and 3.5% compared with 2012. Fiscal years 2013 and 2012 gross aid also included $23.3 million and $22.6 million, respectively, in financial aid and tuition waivers paid from institutional funds generated by student tuition and fee revenues, as well as $11.6 million and $12.5 million, respectively in state and private grant aid, other non-grant aid in the form of work study and loan assistance is not included in these numbers. Of the $116.8 million gross financial aid, $76.7 million was used to pay off student tuition and fee, bookstore and other student charges, and $40.1 million was provided directly to students, and is reflected as operating expense.

Operating expenses also include *depreciation* of $27.4 million. In fiscal year 2013, $35.9 million of initial capital outlay was recorded and has been reclassified as capital assets for GASB reporting purposes. Depreciation expense related to current and prior year capital purchases is reflected as operating expense, to apportion the cost - and consumption - of each asset over the expected useful life during which it will be used. This method attempts to match costs associated with doing business to the time period in which the assets are used in generating revenues.



The Connecticut Community Colleges recorded an operating loss of $277.0 million during the year ended June 30, 2013. In major part, this results from the fact that the State general fund appropriation and related fringe benefits, as well as State bond fund appropriations are classified as *non-operating revenues* under GASB 35, although the expenditure of these resources on personnel, non-capital equipment and depreciation are considered to be an operating expense. Other non-operating activity includes private gifts and donations, investment income earned on cash balances invested by the State treasurer's office, and non-mandatory transfers between individual colleges and the System Office. During fiscal year 2013, private gift revenues increased to $2.5 million, as compared with $2.1 million in fiscal year 2012. Investment income

decreased 11.1% to $145 thousand, following a decline of 34.5% from $249 thousand in 2011 to just $163 thousand in 2012. The State general fund appropriation for salaries decreased by 2.9% and the associated revenues to cover fringe benefit costs increased by 8.9%, to $134.3 million and $86.8 million, respectively. Bond fund appropriation revenues increased from $46.7 million in 2012 to $50.8 million in 2013. When the full value of the general fund appropriation and fringe benefits, capital appropriations, and other non-operating revenue and expense is taken into account, the System recorded a total 2013 net increase in net position of $0.5 million compared with $5.6 million in 2012.

Condensed Statements of Cash Flows
Years Ended June 30, 2013, 2012 and 2011
(in thousands)

	2013	2012	2011	% Change current yr	% Change prior yr
NET CASH PROVIDED BY (USED IN)					
Operating activities	$ (262,185)	$ (257,974)	$ (251,049)	(2) %	(3) %
Investing activities	153	191	260	(20)	(27)
Capital and related financing activities	6,111	(47,976)	(67,066)	113	28
Noncapital financing activities	239,287	238,189	275,269	0	(13)
Net change in cash and cash equivalents	(16,634)	(67,570)	(42,586)	75	(59)
CASH AND CASH EQUIVALENTS					
Cash and cash equivalents, beginning of year	199,270	266,840	309,426	(25)	(14)
Cash and cash equivalents, end of year	$ 182,636	$ 199,270	$ 266,840	(8) %	(25) %

Major sources of *operating activity* cash inflows include receipts of student tuition and fees ($95.1 million, down 0.3% from 2012) and receipts from government grants and contracts ($105.6 million, down 1.8% from 2012). Cash is also received from private grants and contracts, miscellaneous auxiliary and educational sales, and other activities. The largest operating cash outflows include salaries paid to employees ($235.8 million, down 3.6% from 2012), fringe benefits paid on behalf of employees ($113.4 million, up 6.9% from 2012), vendor payments ($83.8 million, up 6.8% from 2012) and payments to students ($43.3 million, down 4.1% from 2012 and 2.2% from 2011) including financial aid grants and loans (above the amounts applied to tuition and fee charges), student work study or other employment, and tuition and fee refunds. Net cash provided by operating activities declined 1.6% during fiscal year 2013 and 2.8% during fiscal year 2012.

The largest inflow of cash related to *non-capital financing* is State appropriations ($226.2 million), including general fund appropriations for salaries and related fringe benefits, and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. Unlike the four-year public institutions in Connecticut, the Community Colleges do not actually receive cash from the State in support of the general fund appropriation. However, the appropriation is treated like a cash equivalent for accounting and reporting purposes, and is included in the cash flow statement. Additionally, the CCC's do not actually have a State appropriation for fringe benefits, nor do they receive cash, again unlike the other public units of higher education. Fringe benefit payments are made by the Connecticut State Comptroller on behalf of the CCC's, and information regarding the associated fringe benefit expense is provided to the System with each biweekly payroll. This is also treated as a cash equivalent on the cash flow statement, as both a non-operating cash inflow and an operating cash outflow. While this is a somewhat unusual treatment, to not include the general fund appropriation and fringe benefits as a cash item would seriously impact the usefulness of the cash flow statement as an indicator of Community College activity and invalidate comparison with other institutions of higher education. Other non-capital financing cash inflows include private gift receipts of $1.6 million and Federal Family Education Loan Program (FFELP) receipts of $11.5 million. In addition, non-capital financing cash inflows and outflows occur between individual colleges and the System Office during the course of the fiscal year, in order to transfer resources in conjunction with budgeted spending authority. These inflows and outflows net to zero for the System as a whole, and are not reflected on the system-wide cash flow statement. However, these resource moves represent a significant impact to

individual colleges and the System Office, and are reflected in the supplementary schedules where numbers by college are shown.

Capital financing cash flows result primarily from the receipt or reallocation of capital appropriations and from cash outlays made to purchase capital assets either by the CCC's directly, or by DAS on the System's behalf. During fiscal year 2013, capital financing net cash inflows of $47.5 million reflected the receipt of bond appropriations of $13.7 million of which went to college facility projects administered by DAS, and $28.0 million for capital equipment and system technology initiatives at the colleges. Cash provided by *investing activities* represents interest income earned on operating fund cash balances invested by the State treasurer on behalf of the System, and distributed quarterly. Cash inflows from the Short Term Investment Fund ("STIF") fell from $191 thousand in fiscal year 2012 to $153 thousand in fiscal year 2013.

Economic Outlook

The Connecticut Community Colleges will confront significant challenges and opportunities in the years ahead. The factors that will have the greatest financial impact on the CCC are projected flattening and declining high school graduates and the current fiscal condition of the state of Connecticut, which continues to lag behind the nation in its recovery from the recent recession and projects significant budget deficits in the next biennial budget cycle.

Full time equivalent headcount for the CCCs is slightly lower in 2013 than 2012 as indicated in the table below:

Fall Headcount Enrollment and Full Time Equivalent						
Year Ending 30-Jun	Undergraduate	% Change	TOTAL	% Change	Full Time Equivalent	% Change
2013	58,228	1.9%	58,228	1.9%	32,570	-0.3%
2012	57,152	-1.0%	57,152	-1.0%	32,671	-3.7%
2011	57,749	5.9%	57,749	5.9%	33,944	4.4%
2010	54,523	8.0%	54,523	8.0%	32,520	8.3%
2009	50,472	5.5%	50,472	5.5%	30,021	6.7%

Although the past two years have seen declining full time equivalent students, the five year trend in enrollment is encouraging. The CCC continues to attract non-traditional students and as discussed below, strategic initiatives are underway to expand the potential student population.

Although Connecticut lags the national recovery cycle post-recession, the state revenues have met projections and are expected to provide a modest surplus. State general fund appropriations in 2013 of $223.6 are up a modest 1.7% over 2012, which were lower than 2011 by 10.1%.

Looking forward, management is working towards strategic initiatives to improve and enhance operations of the CCC and entire system. The Board had previously engaged consulting support to review current enrollment management policies and practices with the goal of formulating new strategies to increase recruitment and retention of students. This project is now providing management with valuable insight in strategic enrollment and retention and best practices to promote student success.

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

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

Additional Information

This financial report is designed to provide a general overview of CCC's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to Erika Steiner, Chief Financial Officer, Board of Regents for Higher Education, Connecticut State Colleges and Universities (860-493-0251). College-specific questions may also be directed to the Dean of Administration at each individual college.

Independent Auditor's Report

To the Board of Regents
of the Connecticut Community Colleges

We have audited the accompanying financial statements of the primary institution, and the aggregate discretely presented component units (the aggregate of the Magnet High Schools and the Foundations) of the Connecticut Community Colleges (the "System") as of June 30, 2013 and 2012 and for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We did not audit the financial statements of the Foundations, which statements reflect total assets of $48.9 million and $46.2 million and total net assets of $46.5 million and $43.8 million as of June 30, 2013 and 2012, respectively, and total revenues, capital gains and losses and other support of $9.8 million and $5.2 million for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary institution and the aggregate discretely presented component units of the Connecticut Community

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Colleges at June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis on pages 1 through 18 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplemental information included on pages 40 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the supplementary information, based on our audit, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 17, 2013

Connecticut Community Colleges
Statements of Net Position
June 30, 2013 and 2012

Connecticut Community Colleges
Education That Works For a Lifetime

	Primary Institution (in thousands)		Component Unit Magnet High Schools (in thousands)	
	2013	2012	2013	2012
Assets				
Current assets				
Cash and cash equivalents	$ 182,636	$ 199,270	$ 13,470	$ 23,155
Accounts receivable, due from the State	24,144	23,417	28	27
Accounts receivable other, net	10,058	6,695	10	77
Prepaid expenses	203	205	-	-
Total current assets	217,041	229,587	13,508	23,259
Non-current assets				
Capital assets, net	657,917	649,998	40,689	32,041
Student loans, net	359	501	-	-
Total non-current assets	658,276	650,499	40,689	32,041
Total assets	$ 875,317	$ 880,086	$ 54,197	$ 55,300
Liabilities				
Current liabilities				
Accounts payable	$ 6,026	$ 8,693	$ 119	$ 186
Accrued expenses - salary and fringe benefits	27,773	27,124	41	43
Accrued compensated absences - current portion	3,871	3,408	2	2
Deferred revenue	3,563	3,279	45	140
Unapplied payments	12,073	12,345	-	-
Retainage	1,382	4,929	-	-
Agency and loan fund liabilities	1,274	1,261	-	-
Other liabilities	293	285	-	-
Total current liabilities	56,255	61,324	207	371
Non-current liabilities				
Accrued compensated absences - long term portion	36,668	36,751	47	37
Other long-term liabilities	193	309	-	-
Total non-current liabilities	36,861	37,060	47	37
Total liabilities	93,116	98,384	254	408
Net position				
Invested in capital assets, net of related debt	657,917	649,998	40,689	32,041
Restricted				
Nonexpendable	20	20	-	-
Expendable	109,089	103,366	13,344	23,004
Unrestricted	15,175	28,318	(90)	(153)
Total net position	782,201	781,702	53,943	54,892
Total liabilities and net position	$ 875,317	$ 880,086	$ 54,197	$ 55,300

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

Connecticut Community Colleges
Statements of Net Assets – Component Unit
June 30, 2013 and 2012

Connecticut Community Colleges
Education That Works For a Lifetime

	Component Unit Foundations (in thousands) 2013	2012
Assets		
Cash and cash equivalents	$ 6,825	$ 8,575
Accounts receivable, net	25	18
Contributions receivable, net	2,424	3,002
Grants receivable	332	252
Other receivables	505	505
Prepaid expenses and other assets	579	308
Investments	38,190	33,524
Total assets	$ 48,880	$ 46,184
Liabilities		
Accounts payable and accrued expenses	$ 293	$ 228
Annuities payable	174	195
Scholarships payable	5	21
Other liabilities	1,931	1,951
Total liabilities	2,403	2,395
Net Assets		
Unrestricted	2,324	2,393
Temporarily restricted	16,088	14,811
Permanently restricted	28,065	26,585
Total net assets	46,477	43,789
Total liabilities and net assets	$ 48,880	$ 46,184

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

Connecticut Community Colleges
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

Connecticut Community Colleges
Education That Works For a Lifetime

	Primary Institution (in thousands)		Component Unit Magnet High Schools (in thousands)	
	2013	2012	2013	2012
Operating revenue				
Student tuition and fees	$ 173,297	$ 169,881	$ -	$ -
Less: Scholarship discounts and allowances	(76,661)	(73,964)	-	-
Net tuition and fees	96,636	95,917	-	-
Federal grants and contracts	91,086	90,198	4,351	4,009
State and local grants and contracts	15,535	16,972	95	-
Private grants and contracts	2,817	6,177	-	-
Sales and services of educational departments	551	607	-	-
Other operating revenues	4,853	4,870	911	1,351
Total operating revenues	211,478	214,741	5,357	5,360
Operating expenses				
Instruction	181,318	175,543	3,384	3,641
Public service	850	872	-	-
Academic support	72,886	74,002	472	535
Library	9,911	10,052	72	71
Student services	39,771	39,056	408	386
Scholarship aid, net	40,149	42,742	-	-
Institutional support	63,868	65,459	1,062	698
Physical plant	52,307	48,875	554	556
Depreciation	27,436	21,443	979	907
Total operating expenses	488,496	478,044	6,931	6,794
Operating loss	(277,018)	(263,303)	(1,574)	(1,434)
Nonoperating revenues (expenses)				
State appropriations - general fund	223,621	219,976	625	567
State appropriations - bond funds	50,768	46,728	-	22,267
Private gifts	2,515	2,084	-	-
Interest income	145	163	-	-
Other non-operating revenues (expenses), net	468	(16)	-	-
Net non-operating revenue	277,517	268,935	625	22,834
Change in net position	499	5,632	(949)	21,400
Net position at beginning of year	781,702	776,070	54,892	33,492
Net position at end of year	$ 782,201	$ 781,702	$ 53,943	$ 54,892

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

Connecticut Community Colleges
Statements of Revenues, Expenses and Changes in Net Assets – Component Unit
Years Ended June 30, 2013 and 2012

Connecticut Community Colleges
Education That Works For a Lifetime

	Foundations (in thousands)	
	2013	**2012 (Restated)**
Revenue, capital gains and losses and other support		
Gifts and grants	$ 5,579	$ 4,172
Gifts in kind	7	70
State matching grant	-	(116)
Events and activities	948	1,024
Dividends and interest income	527	165
Net realized and unrealized gain/(loss) on investments	2,713	(71)
Total revenue, capital gains and losses and other support	9,774	5,244
Expenses		
Fundraising events	590	466
Campus facilities, projects and equipment	725	-
Grants	160	197
Museum	85	71
Program services	1,565	1,397
Scholarships, awards, and financial aid	1,799	1,799
Management and general	835	773
College advancement	1,327	4,017
Total expenses	7,086	8,720
Net Income (Loss)	2,688	(3,476)
Merger with Alumni Association (Manchester CC)	-	130
Change in net assets	2,688	(3,346)
Net assets		
Net assets at beginning of year	43,789	47,135
Net assets at end of year	$ 46,477	$ 43,789

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

Connecticut Community Colleges
Statements of Cash Flows
June 30, 2013 and 2012

Connecticut Community Colleges
Education That Works For a Lifetime

	Primary Institution (in thousands) 2013	2012
Cash flows from operating activities		
Student tuition and fees	$ 95,142	$ 95,404
Government grants and contracts	105,580	107,539
Private grants and contracts	2,587	5,718
Sales and services of educational departments	537	686
Payments to employees	(235,753)	(244,645)
Payments for fringe benefits	(113,394)	(106,050)
Payments to students	(43,291)	(45,163)
Payments to vendors	(80,784)	(78,408)
Payments by Department of Construction Services	(520)	(348)
Other receipts (payments), net	7,711	7,293
Net cash used in operating activities	(262,185)	(257,974)
Cash flows from investing activities		
Interest income	153	191
Net cash provided by investing activities	153	191
Cash flows from capital and related financing activities		
State appropriations	47,472	45,452
Payments by Department of Construction Services	(28,187)	(83,338)
Purchase of capital assets	(13,174)	(10,090)
Net cash provided by (used in) capital and related financing activities	6,111	(47,976)
Cash flows from noncapital financing activities		
State appropriations	226,192	226,082
Private gifts	1,644	1,940
Federal Family Education Loan program ("FFELP")	11,451	10,167
Net cash provided by noncapital financing activities	239,287	238,189
Net change in cash and cash equivalents	(16,634)	(67,570)
Cash and cash equivalents at beginning of year	199,270	266,840
Cash and cash equivalents at end of year	$ 182,636	$ 199,270
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (277,018)	$ (263,303)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	27,436	21,443
Loss (gain) on disposal of capital assets, net	621	46
Operating Application of FFELP Receipts	(11,451)	(10,167)
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,226)	670
Prepaid expenses and other assets	2	38
Accrued compensation and other	1,863	(11,442)
Accounts payable	(696)	4,736
Deferred revenue	284	5
Net cash used in operating activities	$ (262,185)	$ (257,974)

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

1. Organization and Operations

The Connecticut Community Colleges (collectively referred to as "CCC" or the "System") are a state wide system of twelve regional community colleges, serving more than half of the undergraduates in public higher education in the State of Connecticut (the "State"). The CCC's offer two-year associate degrees and transfer programs, short-term certificates and individual coursework in both credit and noncredit programs, often through partnerships with business and industry. The System has a combined enrollment of approximately 58,000 credit full-time equivalent students and 29,000 additional noncredit students at its twelve colleges. The financial statements include the CCC System Office ("SO") and the following regional community colleges: Asnuntuck Community College ("Asnuntuck"), Capital Community College ("Capital"), Gateway Community College ("Gateway"), Housatonic Community College ("Housatonic"), Manchester Community College ("Manchester"), Middlesex Community College ("Middlesex"), Naugatuck Valley Community College ("Naugatuck"), Northwestern Connecticut Community College ("Northwestern"), Norwalk Community College ("Norwalk"), Quinebaug Valley Community College ("Quinebaug"), Three Rivers Community College ("Three Rivers"), and Tunxis Community College ("Tunxis").

2. Reporting of Component Units

Government Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units* ("GASB 39") requires several legally separate, tax-exempt, affiliated college foundations (collectively referred to as the "Foundations") to be considered component units of CCC and presented discretely in CCC's financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the colleges in support of their programs. Although the colleges 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 are restricted to the activities of the colleges by the donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of, the colleges, the Foundations are considered component units of the colleges.

The financial information of the college Foundations is discretely presented and identified in the "component unit" column of the various system-wide and college financial statements. Because under Connecticut statutes each Foundation may establish its own accounting (fiscal) year as any twelve month period, not all twelve Foundations have a fiscal year-end which coincides with the CCC June 30 year-end. Some Foundations have fiscal years which end at December 31. GASB 39 allows component unit information to be up to eleven months older than that of the CCC primary institution, therefore the component unit information reflects Foundation statements from each Foundation's most recent fiscal year, ended either December 31, 2012 or June 30, 2013.

All Foundation statement information is based on separately audited financial statements. Those financial statements are audited by other accounting firms and are presented under standards promulgated by the Financial Accounting Standards Board ("FASB") rather than GASB. Under pre-existing Connecticut statutory and CCC Board policy requirements, various Foundation information including the audited Foundation financial statements, is reviewed at a high level by the college president and the college chief financial official, and forwarded to the CCC System

Office annually for transmittal to the State Auditors of Public Accounts. CCC management relies upon individual college and Foundation compliance with these requirements, and the independently audited Foundation financial statements, to ensure that information presented in the component unit section of the CCC financial statements is materially correct.

The Foundations are private non-profit organizations that report under FASB standards, including ASC 958-205 *Presentation of Financial Statements*. 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 Foundations' financial information in CCC's financial reporting entity for these differences. However, in some cases line items have been combined to reflect common terminology across all twelve college foundations. In addition, all other footnotes herein relate solely to the primary institution, the CCC's, excluding the component unit foundations.

CCC has responsibility for Great Path Academy ("GPA") and Quinebaug Valley Middle College High School ("QMC"), (together, "magnet high schools") which are inter-district magnet high schools located on the Manchester Community College and Quinebaug Valley Community College campuses, respectively. Magnet high schools are discretely presented and identified in a single column as component units on the face of CCC's statements of net position. CCC does not consider magnet high schools to be part of the primary institution, because their educational mission is different from CCC and they are separately managed and accounted for.

Affiliated alumni associations, if any, have not been included as component units of the colleges. They are considered immaterial for inclusion.

3. Significant Accounting Policies for Primary Institution

Basis of Presentation

The financial statements for the CCC primary institution have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. The System reports as a business type activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* ("GASB 35"). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

CCC implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"), effective June 30, 2013. CCC also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65") effective June 30, 2013.

As a result of implementation, CCC did not identify any significant deferred outflows of resources or deferred inflows of resources at June 30, 2013 and June 30. 2012.

CCC follows the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB 33"), and GASB 35, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local*

Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34, ("GASB 37") and No. 38, *Certain Financial Statement Note Disclosures* ("GASB 38"). GASB 33 requires that unconditional promises to give be recorded as receivables and revenues when CCC has met all applicable eligibility requirements. This statement also requires that unspent cash advances received for sponsored programs be recorded as deferred revenue rather than as restricted expendable net position. GASB 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

Invested in Capital Assets, Net of Related Debt
Capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding principal balances of debt and other obligations, if applicable, attributable to the acquisition, construction or improvement of those assets. As of June 30, 2013 and 2012, the CCC's do not carry any debt as all bonding is handled by the State.

Restricted – Nonexpendable
Net position subject to externally-imposed stipulations that are required to be retained in perpetuity, such as permanent endowments.

Restricted – Expendable
Net position subject to externally-imposed constraints imposed by grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted expendable net position include capital appropriation balances, funds held in accordance with legally adopted collective bargaining agreements, unexpended balances in non-exchange grants, and institutional capital contribution balances in the Federal National Direct Student Loan and Nursing Loan programs. The balance of expendable net position restricted by enabling legislation at June 30, 2013 and June 30, 2012 are $109,089,252 and $103,366,126 respectively.

Unrestricted
Net positions that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

GASB 35 also requires that the statements of net positions; revenues, expenses, and changes in net positions; and cash flows be reported on a combined basis.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of CCC by the State Treasurer and has original maturities of three months or less (see Note 4). Interest income is recognized on the accrual basis. The largest inflow of cash related to non-capital financing is State appropriations, including general fund appropriations for salaries of $136,808,291 and $140,226,605 for fiscal year 2013 and 2012 respectively, and related fringe benefit of $86,813,061 and $79,749,389 for fiscal year 2013 and fiscal year 2012 respectively, and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. The Community Colleges do not receive cash from the State in support of the general fund appropriation. The appropriation is

treated as a cash equivalent for accounting and reporting purposes, and is included in the cash flow statement. Fringe benefit payments are made by the State Comptroller on behalf of the CCC's, and information regarding the associated fringe benefit expense is provided to the System with each biweekly payroll. This is treated as a cash equivalent on the statement of cash flows.

Capital Assets
Capital assets are stated at historical cost or, in the case of donated property, at the fair value at the date of gift. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life. Useful lives assigned to assets are identified in the following table:

Asset Class Description	Useful Life
Land	Not applicable
Land/site improvements	20-40 years
Buildings and building Improvements	3-40 years
Lease related	Life of lease
Library books	10 years
Furniture and equipment	3-15 years
Vehicles	4 years
Artwork non-collection	10 years
Fine arts & historical treasures	Not applicable
Software	5 years
Other personal property	10 years

CCC does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes. Title to all assets, whether purchased, constructed or donated, is held by the State of Connecticut.

With the introduction of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51") in 2011 all identifiable intangible assets, not specifically excluded, are included as intangible assets in the CCC statements of net position, in accordance with CCC policy regarding capitalization.

Accrued Compensated Absences (ACA)
Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statements of net position reflect the accrual for the amounts earned as of year-end.

Deferred Revenue
Deferred revenue consists primarily of cash received under government grants and contracts which has not yet been earned as of year-end.

Unapplied Payments
Unapplied payments consist primarily of tuition and fees collected as of year-end, for the upcoming summer or fall semesters. Direct charges related to these semesters are reported in the period the tuition and fees are recognized as income.

Operating Activities
CCC policy for defining operating activities as reported on the statements of revenue, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of CCC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB 35, including state appropriations, gifts and investment income.

Student Tuition and Fee Revenue
Student tuition and fee revenues are recognized in the period earned. Student tuition and fee revenue is presented net of scholarship aid applied to student accounts, while other financial aid refunded directly to students is presented as scholarship aid expenses, as required by GASB 35. Student tuition, college services fees, student activity fees, extension credit and non-credit program fees, and other miscellaneous student fees, recorded as gross tuition and fee revenues, represent the largest portion of operating revenue, but are offset by student financial aid grants from federal, state, local and private sources as well as by institutional aid in the form of tuition remission and statutory and other tuition and fee waivers, used to pay off student tuition and fee charges, resulting in net tuition and fee revenue after scholarship allowances. The revenue for a summer session is split between the two fiscal years, with appropriate amounts being recognized in the accounting period in which they are earned or incurred and become measurable.

Private Gifts and Contributions
CCC receives gifts of financial support from private corporations, foundations and individuals. In such cases, revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Contributions of assets other than cash are recorded at their estimated fair value.

Income Taxes
CCC is an agency of the State of Connecticut and is exempt from federal income taxes under Section 115(a) of the Internal Revenue Code and from state income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include the collectability of accounts and loans receivable and the useful lives of property and equipment.

Subsequent Events
In accordance with generally accepted accounting principles, CCC evaluated subsequent events for the period after June 30, 2013 and through December 17, 2013, the date the financial statements were issued, and determined that there have been no subsequent events that would require recognition in the financial statements or disclosures in the notes of the financial statements.

4. Cash and Cash Equivalents

Cash and cash equivalents consists of the following at June 30, 2013 and 2012 (in thousands):

	2013	2012
Cash	$ 79,111	$ 93,260
Cash equivalents	103,525	106,010
Cash and cash equivalents total	$182,636	$199,270

Cash is invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. All temporary surplus cash is invested in the STIF. CCC 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 CCC 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 5.0% of the STIF's net assets at the time of execution.

CCC has assessed the Credit Risk and the Concentration of Credit Risk of its Cash and Cash Equivalents as follows:

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CCC is only invested in the State of Connecticut Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. There is essentially no risk to these types of investments.

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. 100% of CCC's total cash and cash equivalents are invested in the STIF or consist of State general fund and capital bond fund appropriations allocated to the CCC which are backed by cash held by the State as of June 30, 2013.

5. Accounts Receivable

Accounts receivable consist of the following at June 30, 2013 and 2012 (in thousands):

	2013	2012
Tuition	$ 2,464	$ 2,091
College services fees	254	231
Student activity fees	15	13
Extension fees	1,104	788
Payment plans and returned checks	1,722	1,713
Other student fees	172	165
Subtotal	5,731	5,001
Less: Allowance for doubtful accounts	(1,942)	(1,858)
Subtotal student tuition and fee receivables, net	3,789	3,143
Third party contracts	492	479
Government grants and contacts	3,560	2,260
STIF	25	31
Other receivables	2,749	1,261
Subtotal	6,826	4,031
Less: Allowance for doubtful accounts	(557)	(479)
Subotal other receivables, net	6,269	3,552
Total accounts receivable, net	$ 10,058	$ 6,695

Student tuition and fees are due at a date established by each college not earlier than six weeks nor later than three weeks before the first day of classes unless other payment arrangements have been made. Any account not fully paid after the second week of class (end of add/drop) is entered into collections. Any unpaid account at June 30th that relates to a term from a previous fiscal year is considered doubtful and an allowance is established.

6. Capital Assets

Capital assets consist of the following at June 30, 2013 and 2012 (in thousands):

	Balance at June 30, 2012	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2013
Land and land/site improvements	$ 22,737	$ -	$ -	$ -	$ 22,737
Infrastructure	516	-	-	-	516
Building and building improvements	592,125	1,872	-	183,757	777,754
Furnishings and equipment	66,566	8,943	(1,839)	805	74,475
Library books	8,558	535	(920)	-	8,173
Software	439	-	-	-	439
	690,941	11,350	(2,759)	184,562	884,094
Less: Accumulated depreciation	(222,748)	(27,436)	2,411	-	(247,773)
	468,193	(16,086)	(348)	184,562	636,321
Construction-in-progress	181,805	24,818	(465)	(184,562)	21,596
Capital assets, net	$ 649,998	$ 8,732	$ (813)	$ -	$ 657,917

	Balance at June 30, 2011	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2012
Land and land/site improvements	$ 22,737	$ -	$ -	$ -	$ 22,737
Infrastructure	516	-	-	-	516
Building and building improvements	562,066	1,905	-	28,154	592,125
Furnishings and equipment	62,020	9,437	(4,891)	-	66,566
Library books	8,969	504	(915)	-	8,558
Software	439	-	-	-	439
	656,747	11,846	(5,806)	28,154	690,941
Less: Accumulated depreciation	(206,798)	(21,443)	5,493	-	(222,748)
	449,949	(9,597)	(313)	28,154	468,193
Construction-in-progress	128,482	81,477	-	(28,154)	181,805
Capital assets, net	$ 578,431	$ 71,880	$ (313)	$ -	$ 649,998

Depreciation expense was $27,436,390 and $21,442,949 for the years ended June 30, 2013 and 2012, respectively.

7. Student Loans

Student loans consist of the following at June 30, 2013 and 2012 (in thousands):

	2013	2012
Student loans receivable	$ 369	$ 527
Less: Allowance for doubtful loans	(10)	(26)
	$ 359	$ 501

The outstanding loans were granted as part of the Federal National Direct Student Loan and Nursing Loan programs. The allowance is equal to the total outstanding loans at year-end multiplied by the current year COHORT default rate. The COHORT default rate for each college is calculated individually for borrowers who entered repayment during fiscal years 2010, 2011 and 2012 as follows: (Total number of such borrowers with loans in default at fiscal year-end 2011, 2012 and 2013, i.e. a year later, respectively) *divided by* (Total number of such borrowers who entered repayment during fiscal years 2010, 2011 and 2012, respectively).

8. Accrued Compensated Absences

Accrued compensated absences consist of the following at June 30, 2013 and 2012 (in thousands):

	2013	2012
Accrued vacation	$ 15,905	$ 16,579
Accrued sick leave	16,260	16,762
Other accrued fringe benefits	8,374	6,818
Total accrued compensated absences	40,539	40,159
Less: current portion	(3,871)	(3,408)
Accrued compensated absences - non-current portion	$ 36,668	$ 36,751

These accruals represent amounts earned by all eligible employees through the end of the fiscal year. These accrued compensated absences ("ACA") will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of ACA, is normally estimated to be approximately 5.0% of the total liability and is reflected as a current liability. For June 30, 2013, delayed payouts for a small number of early retirees have temporarily increased the overall current liability from 5.0% to 9.5%.

9. Pollution Remediation Obligations

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49") requires the CCCs to determine if any known pollution remediation obligations exist based on certain "obligating events". A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. If any obligations exist the CCCs must estimate expected outlays for the remediation on an expected cash flows basis.

At June 30, 2013 and June 30, 2012, no pollution remediation obligations existed.

10. Bonds Payable

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities of the System. 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 CCC and, accordingly, the State's debt obligation attributable to CCC educational and general facilities is not reported as CCC debt in the accompanying financial statements.

11. Retirement and Other Post Employment Benefits

Plan Description

All regular full-time employees participate in one of two retirement plans. The State of Connecticut is statutorily responsible for the pension benefits of CCC 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 standalone financial reports.

Tier III or the Hybrid Plan are the 2 primary SERS plan options available to CCC employees first hired into state service on or after July 1, 2011 (some employees are eligible to elect the Teachers Retirement System – TRS).. Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, Tier III, or TRS depending on several factors. CCC makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut. The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the State of Connecticut and the State Employee Bargaining Agent Coalition ("SEBAC"), provides a new retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined

benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a five percent employer match and four percent interest in lieu of a defined benefit.

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

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

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

Other Post Employment Benefits
The State of Connecticut provides post retirement health care and life insurance benefits to eligible CCC 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.

12. Unrestricted Net Position

Substantially all unrestricted net position are internally designated for unliquidated encumbrances, contingency reserves, academic, program and other initiatives, and capital programs. Unrestricted net position was $15,174,651 and $28,318,301 at June 30, 2013 and 2012, respectively. Of these

amounts, $3,626,987 and $4,096,918 respectively, represented CCC's unliquidated encumbrances.

13. Operating Leases

CCC is party to one non-cancelable operating lease contract. Future minimum lease payments, all due over the next five fiscal years and thereafter under all existing operating lease contracts (cancellable and non-cancellable), are approximately as follows:

2014	1,328,421	
2015	1,322,049	
2016	1,322,049	
2017	1,220,312	
2018 to 2032	958,142	per year

The commitments above include a lease agreement entered into on July 1, 2012 by Gateway Community College with the City of New Haven for parking in the Temple Street Parking Garage for approximately $958,000 a year for 20 years. Rental and lease expense was $3,811,892 and $4,043,888 for the years ended June 30, 2013 and 2012, respectively.

14. Commitments and Contingencies

Included in the 2013 financial statements is a $1,650 ,000 accrued expense to settle litigation with a contractor associated with the construction of the new technology center at Naugatuck Valley, completed in January of 2009. The Board of Regents approved the settlement on November 21, 2013. CCC is subject to other legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, changes in net position or cash flows of CCC.

15. Adjustment of Component Units – Foundations

Certain prior year balances in the foundation component units statements of net assets and statements of revenues, expenses and changes in net assets as reported by the foundations and audited by other auditors were restated.

16. Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2013 and 2012 are summarized as follows (in thousands):

	Year Ended June 30, 2013					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Scholarship Aid	Depreciation	Total
Instruction	$ 122,385	$ 53,323	$ 5,610	$ -	$ -	$ 181,318
Public service	422	126	302	-	-	850
Academic support-other	40,803	21,249	10,834	-	-	72,886
Academic support-library	5,786	2,916	1,209	-	-	9,911
Student services	23,768	13,152	2,851	-	-	39,771
Scholarship aid	-	-	-	40,149	-	40,149
Institutional support	32,091	17,259	14,518	-	-	63,868
Physical plant	11,417	8,827	32,063	-	-	52,307
Depreciation	-	-	-	-	27,436	27,436
Total operating expenses	$ 236,672	$ 116,852	$ 67,387	$ 40,149	$ 27,436	$ 488,496

	Year Ended June 30, 2012					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Scholarship Aid	Depreciation	Total
Instruction	$ 121,088	$ 47,321	$ 7,134	$ -	$ -	$ 175,543
Public service	534	81	257	-	-	872
Academic support-other	40,907	18,935	14,160	-	-	74,002
Academic support-library	5,986	2,532	1,534	-	-	10,052
Student services	24,239	11,858	2,959	-	-	39,056
Scholarship aid	-	-	-	42,742	-	42,742
Institutional support	34,517	15,638	15,304	-	-	65,459
Physical plant	11,375	7,782	29,718	-	-	48,875
Depreciation	-	-	-	-	21,443	21,443
Total operating expenses	$ 238,646	$ 104,147	$ 71,066	$ 42,742	$ 21,443	$ 478,044

SUPPLEMENTARY SCHEDULES

Connecticut Community Colleges
Combining Statement of Net Position
June 30, 2013
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

Primary Institution

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Assets														
Current assets														
Cash and cash equivalents	$ 6,986	$ 13,496	$ 8,248	$ 20,135	$ 12,874	$ 5,878	$ 17,448	$ 5,018	$ 12,337	$ 11,766	$ 12,409	$ 11,010	$ 45,031	$ 182,636
Accounts receivable, due from the State	919	1,718	2,960	1,942	2,977	1,237	3,106	991	2,605	986	2,118	2,062	523	24,144
Accounts receivable other, net	276	1,363	2,166	494	1,415	338	1,489	205	628	227	609	530	318	10,058
Prepaid expenses	9	5	14	67	18	28	31	3	5	17	1	4	1	203
Total current assets	8,190	16,582	13,388	22,638	17,284	7,481	22,074	6,217	15,575	12,996	15,137	13,606	45,873	217,041
Non-current assets														
Capital assets, net	6,180	49,209	187,593	79,180	63,257	6,754	48,948	24,337	46,360	11,431	79,076	48,767	6,825	657,917
Student loans, net	(1)	1	(2)	5	32	(3)	150	-	-	-	80	97	-	359
Total non-current assets	6,179	49,210	187,591	79,185	63,289	6,751	49,098	24,337	46,360	11,431	79,156	48,864	6,825	658,276
Total assets	14,369	65,792	200,979	101,823	80,573	14,232	71,172	30,554	61,935	24,427	94,293	62,470	52,698	875,317
Liabilities														
Current liabilities														
Accounts payable	69	197	379	271	184	125	1,828	83	447	67	235	205	1,936	6,026
Accrued expenses-salary and fringe benefits	990	2,078	3,754	2,299	3,368	1,304	3,505	1,008	3,271	1,025	2,317	2,353	501	27,773
Accrued compensated absences-current portion	152	282	356	314	368	209	500	160	342	188	393	365	242	3,871
Deferred revenue	44	520	170	86	367	133	181	60	435	142	97	57	1,271	3,563
Unapplied payments	433	326	1,645	845	2,033	679	1,910	301	1,426	261	865	1,349	-	12,073
Retainage	-	-	-	15	98	-	198	-	-	-	-	918	153	1,382
Agency and loan fund liabilities	54	32	21	62	124	119	318	58	191	44	181	70	-	1,274
Other liabilities	6	3	70	16	46	48	51	9	18	6	(4)	24	-	293
Total current liabilities	1,748	3,438	6,395	3,908	6,588	2,617	8,491	1,679	6,130	1,733	4,084	5,341	4,103	56,255
Non-current liabilities														
Accrued compensated absences-long term portion	1,459	2,857	3,974	2,833	3,892	2,005	4,393	1,485	3,991	1,553	3,052	3,069	2,105	36,668
Other long-term liabilities	-	(26)	(34)	-	(34)	(5)	110	-	-	-	76	106	-	193
Total non-current liabilities	1,459	2,831	3,940	2,833	3,858	2,000	4,503	1,485	3,991	1,553	3,128	3,175	2,105	36,861
Total liabilities	3,207	6,269	10,335	6,741	10,446	4,617	12,994	3,164	10,121	3,286	7,212	8,516	6,208	93,116
Net position														
Invested in capital assets, net of related debt	6,180	49,209	187,593	79,180	63,257	6,754	48,949	24,337	46,360	11,431	79,076	48,766	6,825	657,917
Restricted														
Nonexpendable	-	-	-	20	-	-	-	-	-	-	-	-	-	20
Expendable	4,254	7,719	5,441	8,756	6,652	1,958	8,397	2,290	6,352	7,112	4,762	6,992	38,404	109,089
Unrestricted	728	2,595	(2,390)	7,126	218	903	832	763	(898)	2,598	3,243	(1,804)	1,261	15,175
Total net position	11,162	59,523	190,644	95,082	70,127	9,615	58,178	27,390	51,814	21,141	87,081	53,954	46,490	782,201
Total liabilities and net position	$ 14,369	$ 65,792	$ 200,979	$ 101,823	$ 80,573	$ 14,232	$ 71,172	$ 30,554	$ 61,935	$ 24,427	$ 94,293	$ 62,470	$ 52,698	$ 875,317

Connecticut Community Colleges
Combining Statement of Net Position
June 30, 2012
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

Primary Institution

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Assets														
Current assets														
Cash and cash equivalents	$ 6,385	$ 13,146	$ 31,512	$ 17,974	$ 8,087	$ 6,195	$ 15,618	$ 5,647	$ 8,363	$ 6,532	$ 11,643	$ 19,590	$ 48,578	$ 199,270
Accounts receivable, due from the State	824	1,698	2,710	1,866	2,893	1,160	3,061	923	2,513	950	2,066	1,949	804	23,417
Accounts receivable other, net	250	909	963	390	659	279	1,210	134	617	125	479	419	261	6,695
Prepaid expenses	13	16	12	38	19	62	19	1	1	3	5	8	8	205
Total current assets	7,472	15,769	35,197	20,268	11,658	7,696	19,908	6,705	11,494	7,610	14,193	21,966	49,651	229,587
Non-current assets														
Capital assets, net	5,433	50,485	183,272	80,822	64,675	6,785	49,868	23,208	47,582	11,870	82,062	40,037	3,899	649,998
Student loans, net	2	1	(6)	1	28	108	158	1	1	-	87	120	-	501
Total non-current assets	5,435	50,486	183,266	80,823	64,703	6,893	50,026	23,209	47,583	11,870	82,149	40,157	3,899	650,499
Total assets	12,907	66,255	218,463	101,091	76,361	14,589	69,934	29,914	59,077	19,480	96,342	62,123	53,550	880,086
Liabilities														
Current liabilities														
Accounts payable	127	137	4,823	306	201	104	255	94	613	84	227	119	1,603	8,693
Accrued expenses-salary and fringe benefits	885	2,034	3,403	2,128	3,233	1,198	3,301	1,011	2,896	1,011	2,263	2,186	1,575	27,124
Accrued compensated absences-current portion	138	245	308	278	330	183	422	155	301	170	339	312	227	3,408
Deferred revenue	37	626	165	83	40	103	328	107	630	180	81	86	813	3,279
Unapplied payments	347	414	1,268	991	2,132	715	1,967	339	1,556	286	942	1,388	-	12,345
Retainage	-	-	4,242	15	-	-	366	-	20	-	-	252	34	4,929
Agency and loan fund liabilities	58	15	19	59	173	111	264	51	201	54	171	85	-	1,261
Other liabilities	2	4	62	11	32	48	57	4	-	9	37	19	-	285
Total current liabilities	1,594	3,475	14,290	3,871	6,141	2,462	6,960	1,761	6,217	1,794	4,060	4,447	4,252	61,324
Non-current liabilities														
Accrued compensated absences-long term portion	1,513	2,757	3,664	2,846	3,885	1,990	4,355	1,719	3,796	1,687	3,038	3,079	2,422	36,751
Other long-term liabilities	-	(22)	(33)	-	(28)	88	117	-	-	-	76	111	-	309
Total non-current liabilities	1,513	2,735	3,631	2,846	3,857	2,078	4,472	1,719	3,796	1,687	3,114	3,190	2,422	37,060
Total liabilities	3,107	6,210	17,921	6,717	9,998	4,540	11,432	3,480	10,013	3,481	7,174	7,637	6,674	98,384
Net position														
Invested in capital assets, net of related debt	5,433	50,485	183,272	80,822	64,675	6,784	49,868	23,208	47,583	11,870	82,062	40,037	3,899	649,998
Restricted														
Nonexpendable	-	-	-	20	-	-	-	-	-	-	-	-	-	20
Expendable	2,983	7,171	17,563	6,833	1,185	1,249	8,157	2,955	1,075	1,448	3,712	16,016	33,019	103,366
Unrestricted	1,384	2,389	(293)	6,699	503	2,016	477	271	406	2,681	3,394	(1,567)	9,958	28,318
Total net position	9,800	60,045	200,542	94,374	66,363	10,049	58,502	26,434	49,064	15,999	89,168	54,486	46,876	781,702
Total liabilities and net position	$ 12,907	$ 66,255	$ 218,463	$ 101,091	$ 76,361	$ 14,589	$ 69,934	$ 29,914	$ 59,077	$ 19,480	$ 96,342	$ 62,123	$ 53,550	$ 880,086

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

Primary Institution

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Operating revenues														
Student tuition and fees	$ 5,618	$ 13,250	$ 22,519	$ 17,435	$ 22,702	$ 9,137	$ 22,150	$ 4,143	$ 21,714	$ 5,996	$ 13,908	$ 14,696	$ 29	$ 173,297
Less: Scholarship discounts and allowances	(2,235)	(8,759)	(11,254)	(9,282)	(8,776)	(3,523)	(8,760)	(1,754)	(7,723)	(3,159)	(6,464)	(4,972)	-	(76,661)
Net tuition and fees	3,383	4,491	11,265	8,153	13,926	5,614	13,390	2,389	13,991	2,837	7,444	9,724	29	96,636
Federal grants and contracts	2,367	9,887	13,560	10,694	10,557	3,880	11,943	2,282	8,853	3,314	7,245	5,819	685	91,086
State and local grants and contracts	251	1,494	1,980	1,855	1,275	620	1,628	270	941	1,028	883	698	2,612	15,535
Private grants and contracts	31	386	287	132	71	17	82	57	1,087	98	298	51	220	2,817
Sales and services of educational departments	-	21	16	121	11	4	59	-	203	-	-	116	-	551
Other operating revenues	121	291	694	395	734	268	636	95	512	146	646	306	9	4,853
Total operating revenues	6,153	16,570	27,802	21,350	26,574	10,403	27,738	5,093	25,587	7,423	16,516	16,714	3,555	211,478
Operating expenses														
Instruction	6,530	15,585	26,101	15,069	22,113	8,556	23,523	5,599	21,767	6,867	15,384	14,224	-	181,318
Public service	1	78	32	-	10	27	450	173	40	23	6	10	-	850
Academic support	2,984	4,785	7,993	5,667	7,489	4,402	9,131	3,068	7,514	3,334	5,171	6,207	5,141	72,886
Library	471	744	1,139	1,049	1,110	656	856	492	1,011	596	615	1,172	-	9,911
Student services	1,818	3,023	4,860	3,418	5,139	2,314	4,535	1,530	4,462	1,594	3,870	3,178	30	39,771
Scholarship aid, net	1,019	3,742	5,346	5,136	4,863	1,682	4,519	887	4,422	1,452	3,249	2,827	1,005	40,149
Institutional support	2,447	4,559	5,672	3,527	6,395	3,325	5,068	2,316	5,441	1,893	3,715	3,889	15,621	63,868
Physical plant	1,477	3,815	10,469	4,803	5,914	1,462	8,079	1,725	5,456	1,361	3,351	2,869	1,526	52,307
Depreciation	483	2,116	5,932	2,962	2,866	716	3,139	1,015	1,931	608	3,007	1,417	1,244	27,436
Total operating expenses	17,230	38,447	67,544	41,631	55,899	23,140	59,300	16,805	52,044	17,728	38,368	35,793	24,567	488,496
Operating loss	(11,077)	(21,877)	(39,742)	(20,281)	(29,325)	(12,737)	(31,562)	(11,712)	(26,457)	(10,305)	(21,852)	(19,079)	(21,012)	(277,018)
Nonoperating revenues (expenses)														
State appropriations - general fund	9,244	16,425	24,660	17,085	26,896	10,905	26,653	9,820	22,395	8,824	17,373	17,169	16,172	223,621
State appropriations - bond funds	2,470	1,413	1,869	2,141	6,806	1,220	2,631	795	6,097	5,886	1,712	1,822	15,906	50,768
Private gifts	80	-	1,229	-	-	67	26	358	657	27	65	6	-	2,515
Interest income	4	9	6	19	12	8	13	5	12	8	13	6	30	145
Other non-operating revenues (expenses), net	-	-	250	1	3	-	-	1	89	-	119	5	-	468
Net non-operating revenues	11,798	17,847	28,014	19,246	33,717	12,200	29,323	10,979	29,250	14,745	19,282	19,008	32,108	277,517
Net income (loss) before other changes	721	(4,030)	(11,728)	(1,035)	4,392	(537)	(2,239)	(733)	2,793	4,440	(2,570)	(71)	11,096	499
Other changes														
Capital and other additions (deductions)	-	426	14	1,299	149	-	1,188	744	-	-	-	130	(3,950)	-
Interagency transfers	641	3,082	1,816	444	(777)	103	727	945	(43)	702	483	(591)	(7,532)	-
Total other changes	641	3,508	1,830	1,743	(628)	103	1,915	1,689	(43)	702	483	(461)	(11,482)	-
Change in net position	1,362	(522)	(9,898)	708	3,764	(434)	(324)	956	2,750	5,142	(2,087)	(532)	(386)	499
Net position at beginning of year	9,800	60,045	200,542	94,374	66,363	10,049	58,502	26,434	49,064	15,999	89,168	54,486	46,876	781,702
Net position at end of year	$ 11,162	$ 59,523	$ 190,644	$ 95,082	$ 70,127	$ 9,615	$ 58,178	$ 27,390	$ 51,814	$ 21,141	$ 87,081	$ 53,954	$ 46,490	$ 782,201

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2012
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

Primary Institution

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Operating revenues														
Student tuition and fees	$ 5,425	$ 13,593	$ 21,363	$ 17,044	$ 22,067	$ 8,849	$ 21,825	$ 4,229	$ 20,989	$ 5,967	$ 14,074	$ 14,436	$ 20	$ 169,881
Less: Scholarship discounts and allowances	(2,182)	(9,002)	(10,337)	(9,203)	(7,969)	(3,389)	(8,124)	(1,806)	(7,376)	(3,073)	(6,608)	(4,895)	-	(73,964)
Net tuition and fees	3,243	4,591	11,026	7,841	14,098	5,460	13,701	2,423	13,613	2,894	7,466	9,541	20	95,917
Federal grants and contracts	2,249	10,816	11,915	11,098	9,839	3,779	10,299	2,332	8,251	3,227	7,612	5,867	2,914	90,198
State and local grants and contracts	298	1,610	2,213	2,182	1,531	764	1,625	263	1,202	1,113	1,038	759	2,374	16,972
Private grants and contracts	41	300	128	430	98	9	71	124	4,421	99	290	57	109	6,177
Sales and services of educational departments	-	18	18	125	12	7	57	(1)	260	-	-	111	-	607
Other operating revenues	234	383	676	424	607	253	492	127	396	190	753	324	11	4,870
Total operating revenues	6,065	17,718	25,976	22,100	26,185	10,272	26,245	5,268	28,143	7,523	17,159	16,659	5,428	214,741
Operating expenses														
Instruction	6,267	15,496	24,600	14,639	22,068	7,460	22,777	5,754	21,508	6,305	14,544	14,125	-	175,543
Public service	1	92	37	-	24	9	366	213	85	32	-	13	-	872
Academic support	2,964	4,473	8,584	6,858	7,419	3,873	8,319	3,238	7,452	3,064	5,175	5,994	6,589	74,002
Library	426	724	1,409	972	1,164	642	1,005	509	948	537	568	1,148	-	10,052
Student services	1,711	2,940	4,861	3,085	5,158	2,326	4,235	1,590	4,241	1,807	3,795	3,084	223	39,056
Scholarship aid, net	1,076	4,578	5,368	5,917	5,346	1,765	4,580	867	4,525	1,531	3,513	3,046	630	42,742
Institutional support	2,289	4,158	4,954	3,620	5,646	3,451	4,926	2,329	6,549	1,941	3,931	3,750	17,915	65,459
Physical plant	1,271	4,954	7,025	5,174	6,062	1,426	7,160	1,774	5,471	1,409	3,004	2,909	1,236	48,875
Depreciation	453	2,104	620	2,950	2,991	856	3,178	1,013	1,534	633	2,913	1,451	747	21,443
Total operating expenses	16,458	39,519	57,458	43,215	55,878	21,808	56,546	17,287	52,313	17,259	37,443	35,520	27,340	478,044
Operating loss	(10,393)	(21,801)	(31,482)	(21,115)	(29,693)	(11,536)	(30,301)	(12,019)	(24,170)	(9,736)	(20,284)	(18,861)	(21,912)	(263,303)
Nonoperating revenues (expenses)														
State appropriations - general fund	9,154	16,286	21,557	17,028	26,856	10,674	26,481	9,950	22,193	8,806	17,195	16,382	17,414	219,976
State appropriations - bond funds	1,254	256	3,348	5,300	378	345	5,921	1,556	330	626	1,147	16,267	10,000	46,728
Private gifts	140	11	732	-	-	176	14	237	566	146	56	6	-	2,084
Interest income	6	10	12	20	13	8	12	5	14	8	13	7	35	163
Other non-operating revenues (expenses), net	-	-	1	4	4	-	-	-	(27)	-	-	2	-	(16)
Net non-operating revenues	10,554	16,563	25,650	22,352	27,251	11,203	32,428	11,748	23,076	9,586	18,411	32,664	27,449	268,935
Net income (loss) before other changes	161	(5,238)	(5,832)	1,237	(2,442)	(333)	2,127	(271)	(1,094)	(150)	(1,873)	13,803	5,537	5,632
Other changes														
Capital and other additions (deductions)	-	-	88	-	-	-	-	-	4	207	-	-	(299)	-
Interagency transfers	687	3,316	(1,137)	55	(2,290)	27	(216)	642	(530)	274	478	(105)	(1,201)	-
Total other changes	687	3,316	(1,049)	55	(2,290)	27	(216)	642	(526)	481	478	(105)	(1,500)	-
Change in net position	848	(1,922)	(6,881)	1,292	(4,732)	(306)	1,911	371	(1,620)	331	(1,395)	13,698	4,037	5,632
Net position at beginning of year	8,952	61,967	207,423	93,082	71,095	10,355	56,591	26,063	50,684	15,668	90,563	40,788	42,839	776,070
Net position at end of year	$ 9,800	$ 60,045	$ 200,542	$ 94,374	$ 66,363	$ 10,049	$ 58,502	$ 26,434	$ 49,064	$ 15,999	$ 89,168	$ 54,486	$ 46,876	$ 781,702

Connecticut Community Colleges
Combining Statement of Cash Flows
Year Ended June 30, 2013
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

Primary Institution

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Cash flows from operating activities														
Student tuition and fees	$ 3,231	$ 4,304	$ 11,179	$ 8,014	$ 13,530	$ 5,587	$ 13,258	$ 2,379	$ 14,122	$ 2,821	$ 6,923	$ 9,500	$ 294	$ 95,142
Government grants and contracts	2,586	11,111	15,504	12,677	11,416	4,464	13,045	2,529	9,465	4,341	8,127	6,440	3,875	105,580
Private grants and contracts	29	305	173	74	77	29	143	11	1,096	87	392	41	130	2,587
Sales and services of educational departments	-	14	16	115	11	4	59	-	203	-	-	115	-	537
Payments to employees	(8,978)	(18,449)	(29,238)	(19,120)	(27,615)	(11,609)	(29,094)	(8,994)	(25,689)	(9,559)	(18,144)	(18,334)	(10,930)	(235,753)
Payments for fringe benefits	(4,559)	(8,586)	(13,036)	(9,109)	(14,133)	(5,407)	(15,145)	(4,735)	(11,658)	(4,503)	(9,348)	(9,541)	(3,634)	(113,394)
Payments to students	(1,455)	(4,523)	(5,217)	(5,536)	(4,757)	(2,051)	(4,947)	(913)	(4,309)	(1,153)	(4,519)	(3,003)	(908)	(43,291)
Payments to vendors	(2,278)	(6,441)	(18,485)	(5,636)	(6,914)	(3,803)	(6,170)	(1,577)	(8,651)	(2,148)	(5,042)	(4,258)	(9,381)	(80,784)
Payments by Department of Public Works	-	-	(116)	-	(63)	-	(79)	(21)	(26)	-	-	-	(215)	(520)
Other receipts (payments), net	254	398	1,237	460	1,174	320	783	144	877	118	908	652	386	7,711
Net cash used in operating activities	(11,170)	(21,867)	(37,983)	(18,061)	(27,274)	(12,466)	(28,147)	(11,177)	(24,570)	(9,996)	(20,703)	(18,388)	(20,383)	(262,185)
Cash flows from investing activities														
Interest income	5	9	7	19	13	9	13	5	13	8	14	7	31	153
Net cash provided by investing activities	5	9	7	19	13	9	13	5	13	8	14	7	31	153
Cash flows from capital and related financing activities														
State appropriations	2,100	1,372	1,608	2,102	6,040	1,220	1,230	755	5,107	5,866	1,680	1,846	16,546	47,472
Payments by Department of Public Works	(435)	(10)	(13,155)	(910)	-	-	(1,595)	(1,140)	(433)	(34)	(98)	(9,060)	(1,317)	(28,187)
Purchase of capital assets	(892)	(352)	(1,657)	(56)	(1,207)	(668)	(299)	(238)	(297)	(137)	(356)	(293)	(6,722)	(13,174)
Interagency transfers	175	36	-	138	93	164	493	66	55	38	105	(523)	(840)	-
Net cash provided by (used in) capital and related financing activities	948	1,046	(13,204)	1,274	4,926	716	(171)	(557)	4,432	5,733	1,331	(8,030)	7,667	6,111
Cash flows from noncapital financing activities														
State appropriations	9,518	16,445	24,672	17,047	27,578	10,827	28,010	9,792	23,294	8,809	17,354	17,031	15,815	226,192
Private gifts	81	1	357	-	-	86	27	359	649	24	57	3	-	1,644
Federal Family Education Loan Program (FFELP)	732	1,765	1,011	1,576	479	597	1,883	98	97	-	2,351	862	-	11,451
Interagency transfers	487	2,951	1,876	306	(935)	(86)	215	851	59	656	362	(65)	(6,677)	-
Net cash provided by noncapital financing activities	10,818	21,162	27,916	18,929	27,122	11,424	30,135	11,100	24,099	9,489	20,124	17,831	9,138	239,287
Net increase (decrease) in cash and cash equivalents	601	350	(23,264)	2,161	4,787	(317)	1,830	(629)	3,974	5,234	766	(8,580)	(3,547)	(16,634)
Cash and cash equivalents at beginning of year	6,385	13,146	31,512	17,974	8,087	6,195	15,618	5,647	8,363	6,532	11,643	19,590	48,578	199,270
Cash and cash equivalents at end of year	$ 6,986	$ 13,496	$ 8,248	$ 20,135	$ 12,874	$ 5,878	$ 17,448	$ 5,018	$ 12,337	$ 11,766	$ 12,409	$ 11,010	$ 45,031	$ 182,636

Connecticut Community Colleges
Combining Statement of Cash Flows
Year Ended June 30, 2012
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

Primary Institution

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Cash flows from operating activities														
Student tuition and fees	$ 3,230	$ 4,578	$ 10,444	$ 8,166	$ 14,100	$ 5,368	$ 13,116	$ 2,485	$ 14,245	$ 2,880	$ 7,092	$ 9,467	$ 233	$ 95,404
Government grants and contracts	2,516	13,089	14,046	13,274	10,899	4,520	11,967	2,612	9,452	4,440	8,696	6,567	5,461	107,539
Private grants and contracts	27	393	96	349	70	13	86	171	4,038	9	211	63	192	5,718
Sales and services of educational departments	-	14	19	208	12	6	56	-	260	-	-	111	-	686
Payments to employees	(9,267)	(19,145)	(28,790)	(19,878)	(28,715)	(11,664)	(29,846)	(9,456)	(26,696)	(9,604)	(18,917)	(19,317)	(13,350)	(244,645)
Payments for fringe benefits	(4,220)	(8,080)	(11,389)	(8,581)	(13,270)	(5,015)	(13,850)	(4,545)	(11,112)	(3,969)	(8,716)	(8,953)	(4,350)	(106,050)
Payments to students	(1,403)	(4,907)	(5,150)	(6,157)	(5,568)	(2,217)	(4,965)	(887)	(4,461)	(1,260)	(4,193)	(3,348)	(647)	(45,163)
Payments to vendors	(2,118)	(7,387)	(8,958)	(8,553)	(7,566)	(3,818)	(7,864)	(1,780)	(10,195)	(2,255)	(5,081)	(4,468)	(8,365)	(78,408)
Payments by Department of Public Works	-	-	-	-	(59)	-	-	(30)	(74)	-	-	-	(185)	(348)
Other receipts (payments), net	219	462	822	585	1,250	351	854	188	703	248	700	590	321	7,293
Net cash used in operating activities	(11,016)	(20,983)	(28,860)	(20,587)	(28,847)	(12,456)	(30,446)	(11,242)	(23,840)	(9,511)	(20,208)	(19,288)	(20,690)	(257,974)
Cash flows from investing activities														
Interest income	6	11	14	24	16	9	14	6	18	9	15	8	41	191
Net cash provided by investing activities	6	11	14	24	16	9	14	6	18	9	15	8	41	191
Cash flows from capital and related financing activities														
State appropriations	1,260	397	3,496	5,300	203	395	5,389	1,638	16	790	1,349	16,515	8,704	45,452
Payments by Department of Public Works	(39)	(31)	(69,882)	(106)	(256)	-	(327)	(1,339)	(7,546)	(51)	(163)	(3,598)	-	(83,338)
Purchase of capital assets	(118)	(383)	(2,944)	(636)	(519)	(179)	(296)	(178)	(1,809)	(93)	(555)	(264)	(2,116)	(10,090)
Interagency transfers	-	15	(1,776)	-	69	-	(123)	40	242	-	-	-	1,533	-
Net cash provided by (used in) capital and related financing activities	1,103	(2)	(71,106)	4,558	(503)	216	4,643	161	(9,097)	646	631	12,653	8,121	(47,976)
Cash flows from noncapital financing activities														
State appropriations	9,479	16,791	22,427	17,489	28,100	11,281	28,018	10,128	23,317	8,883	17,604	16,746	15,819	226,082
Private gifts	40	12	778	-	-	75	47	235	557	141	53	2	-	1,940
Federal Family Education Loan Program (FFELP)	582	1,315	1,059	1,366	487	694	1,724	88	117	2	1,764	969	-	10,167
Interagency transfers	687	3,310	715	56	(2,330)	28	(39)	578	(684)	277	497	(93)	(3,002)	-
Net cash provided by noncapital financing activities	10,788	21,428	24,979	18,911	26,257	12,078	29,750	11,029	23,307	9,303	19,918	17,624	12,817	238,189
Net increase (decrease) in cash and cash equivalents	881	454	(74,973)	2,906	(3,077)	(153)	3,961	(46)	(9,612)	447	356	10,997	289	(67,570)
Cash and cash equivalents at beginning of year	5,504	12,692	106,485	15,068	11,164	6,348	11,657	5,693	17,975	6,085	11,287	8,593	48,289	266,840
Cash and cash equivalents at end of year	$ 6,385	$ 13,146	$ 31,512	$ 17,974	$ 8,087	$ 6,195	$ 15,618	$ 5,647	$ 8,363	$ 6,532	$ 11,643	$ 19,590	$ 48,578	$ 199,270

Connecticut Community Colleges
Combining Statement of Net Position by Fund Group
June 30, 2013
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

	Primary Institution					
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	Total
Assets						
Current assets						
Cash & cash equivalents	$ 77,757	$ 1,354	$ 62,033	$ 41,492	$ -	$ 182,636
Accounts receivable-general fund	24,144	-	-	-	-	24,144
Accounts receivable-other	10,038	20	-	-	-	10,058
Prepaid expense	203	-	-	-	-	203
Total current assets	112,142	1,374	62,033	41,492	-	217,041
Non-current assets						
Land and land/site improvements	-	-	-	-	22,737	22,737
Infrastructure	-	-	-	-	516	516
Buildings and building improvements	-	-	-	-	777,754	777,754
Furnishings and Equipment	-	-	-	-	74,475	74,475
Library books	-	-	-	-	8,173	8,173
Software	-	-	-	-	439	439
	-	-	-	-	884,094	884,094
Less: Accumulated depreciation	-	-	-	-	(247,773)	(247,773)
	-	-	-	-	636,321	636,321
Construction in progress	-	-	-	-	21,596	21,596
Capital Assets, net	-	-	-	-	657,917	657,917
Student loans, net						
Student loans receivable	-	369	-	-	-	369
Less: Allowance for doubtful loans	(10)	-	-	-	-	(10)
	(10)	369	-	-	-	359
Total non-current assets	(10)	369	-	-	657,917	658,276
Total assets	$ 112,132	$ 1,743	$ 62,033	$ 41,492	$ 657,917	$ 875,317
Liabilities						
Current liabilities						
Accounts payable	$ 3,285	$ -	$ 1,091	$ 1,650	$ -	$ 6,026
Accrued expense - salary and fringe benefits	27,773	2	-	-	-	27,775
Accrued compensated absences-current portion	3,871	-	-	-	-	3,871
Deferred revenue	3,563	-	-	-	-	3,563
Unapplied payments	12,073	10	-	-	-	12,083
Retainage	-	-	153	1,229	-	1,382
Other liabilities	293	1,262	-	-	-	1,555
Total current liabilities	50,858	1,274	1,244	2,879	-	56,255
Non-current liabilities						
Accrued compensated absences-long term portion	36,668	-	-	-	-	36,668
Student loans	-	193	-	-	-	193
Total non-current liabilities	36,668	193	-	-	-	36,861
Total liabilities	87,526	1,467	1,244	2,879	-	93,116
Net position						
Invested in capital assets, net of related debt	-	-	-	-	657,917	657,917
Restricted						
Non-expendable	-	20	-	-	-	20
Expendable	9,431	256	60,789	38,613	-	109,089
Unrestricted	15,175	-	-	-	-	15,175
Total net position	24,606	276	60,789	38,613	657,917	782,201
Total liabilities and net position	$ 112,132	$ 1,743	$ 62,033	$ 41,492	$ 657,917	$ 875,317

Connecticut Community Colleges
Combining Statement of Net Position by Fund Group
June 30, 2012
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

	Primary Institution					
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	Total
Assets						
Current assets						
Cash & cash equivalents	$ 91,920	$ 1,339	$ 49,880	$ 56,131	$ -	$ 199,270
Accounts receivable-general fund	23,417	-	-	-	-	23,417
Accounts receivable-other	6,678	17	-	-	-	6,695
Prepaid expense	205	-	-	-	-	205
Total current assets	122,220	1,356	49,880	56,131	-	229,587
Non-current assets						
Land and land/site improvements	-	-	-	-	22,737	22,737
Infrastructure	-	-	-	-	516	516
Buildings and building improvements	-	-	-	-	592,125	592,125
Furnishings and Equipment	-	-	-	-	66,566	66,566
Library books	-	-	-	-	8,558	8,558
Software	-	-	-	-	439	439
	-	-	-	-	690,941	690,941
Less: Accumulated depreciation	-	-	-	-	(222,748)	(222,748)
	-	-	-	-	468,193	468,193
Construction in progress	-	-	-	-	181,805	181,805
Capital Assets, net	-	-	-	-	649,998	649,998
Student loans, net						
Student loans receivable	-	527	-	-	-	527
Less: Allowance for doubtful loans	(26)	-	-	-	-	(26)
	(26)	527	-	-	-	501
Total non-current assets	(26)	527	-	-	649,998	650,499
Total assets	$ 122,194	$ 1,883	$ 49,880	$ 56,131	$ 649,998	$ 880,086
Liabilities						
Current liabilities						
Accounts payable	$ 2,968	$ -	$ 5,725	$ -	$ -	$ 8,693
Accrued expense - salary and fringe benefits	27,124		-	-	-	27,124
Accrued compensated absences-current portion	3,408	-	-	-	-	3,408
Deferred revenue	3,279	-	-	-	-	3,279
Unapplied payments	12,345	15	-	-	-	12,360
Retainage	-	-	34	4,895	-	4,929
Other liabilities	285	1,246	-	-	-	1,531
Total current liabilities	49,409	1,261	5,759	4,895	-	61,324
Non-current liabilities						
Accrued compensated absences-long term portion	36,751	-	-	-	-	36,751
Student loans	-	309	-	-	-	309
Total non-current liabilities	36,751	309	-	-	-	37,060
Total liabilities	86,160	1,570	5,759	4,895	-	98,384
Net position						
Invested in capital assets, net of related debt	-	-	-	-	649,998	649,998
Restricted						
Non-expendable	-	20	-	-	-	20
Expendable	7,716	293	44,121	51,236	-	103,366
Unrestricted	28,318	-	-	-	-	28,318
Total net position	36,034	313	44,121	51,236	649,998	781,702
Total liabilities and net position	$ 122,194	$ 1,883	$ 49,880	$ 56,131	$ 649,998	$ 880,086

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group
Year Ended June 30, 2013
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

	Primary Institution					
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DPW Administered Bond Funds	Invested in Capital Assets	Total
Operating revenues						
Tuition and Fees	$ 173,297	$ -	$ -	$ -	$ -	$ 173,297
Less: Scholarship discounts and allowances	(76,661)	-	-	-	-	(76,661)
Net tuition and fees	96,636	-	-	-	-	96,636
Federal grants and contracts	91,086	-	-	-	-	91,086
State and local grants and contracts	15,535	-	-	-	-	15,535
Private grants and contracts	2,817	-	-	-	-	2,817
Sales and services of educational departments	551	-	-	-	-	551
Other operating revenues	4,761	-	-	-	92	4,853
Total operating revenues	211,386	-	-	-	92	211,478
Operating expenses						
Salaries and wages	236,672	-	-	-	-	236,672
Fringe benefits	116,852	-	-	-	-	116,852
Supplies and services	53,627	-	10,875	2,181	704	67,387
Scholarship aid, net	40,114	35	-	-	-	40,149
Depreciation	-	-	-	-	27,436	27,436
Total operating expenses	447,265	35	10,875	2,181	28,140	488,496
Operating loss	(235,879)	(35)	(10,875)	(2,181)	(28,048)	(277,018)
Nonoperating revenues (expenses)						
State appropriations - general fund	223,621	-	-	-	-	223,621
State appropriations - bond funds	-	-	37,084	13,684	-	50,768
Private gifts	2,491	-	-	-	24	2,515
Interest income	145	-	-	-	-	145
Other non-operating revenues (expenses), net	20	-	-	448	-	468
Net non-operating revenues	226,277	-	37,084	14,132	24	277,517
Net income (loss) before other changes	(9,602)	(35)	26,209	11,951	(28,024)	499
Other changes						
Capital and other additions (deductions)	(1,151)	-	(12,056)	(22,736)	35,943	-
Interagency transfers	(675)	(2)	2,515	(1,838)	-	-
Total Other Changes	(1,826)	(2)	(9,541)	(24,574)	35,943	-
Change in net position	(11,428)	(37)	16,668	(12,623)	7,919	499
Net position at beginning of year	36,034	313	44,121	51,236	649,998	781,702
Net Position at end of year	$ 24,606	$ 276	$ 60,789	$ 38,613	$ 657,917	$ 782,201

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group
Year Ended June 30, 2012
(in thousands)

Connecticut Community Colleges
Education That Works For a Lifetime

	Primary Institution					
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DPW Administered Bond Funds	Invested in Capital Assets	Total
Operating revenues						
Tuition and Fees	$ 169,881	$ -	$ -	$ -	$ -	$ 169,881
Less: Scholarship discounts and allowances	(73,964)	-	-	-	-	(73,964)
Net tuition and fees	95,917	-	-	-	-	95,917
Federal grants and contracts	90,198	-	-	-	-	90,198
State and local grants and contracts	16,972	-	-	-	-	16,972
Private grants and contracts	6,177	-	-	-	-	6,177
Sales and services of educational departments	607	-	-	-	-	607
Other operating revenues	4,807	-	-	-	63	4,870
Total operating revenues	214,678	-	-	-	63	214,741
Operating expenses						
Salaries and wages	238,646	-	-	-	-	238,646
Fringe benefits	104,146	-	-	-	-	104,146
Supplies and services	56,804	-	13,442	706	115	71,067
Scholarship aid, net	42,730	12	-	-	-	42,742
Depreciation	-	-	-	-	21,443	21,443
Total operating expenses	442,326	12	13,442	706	21,558	478,044
Operating loss	(227,648)	(12)	(13,442)	(706)	(21,495)	(263,303)
Nonoperating revenues (expenses)						
State appropriations - general fund	219,976	-	-	-	-	219,976
State appropriations - bond funds	-	-	16,516	30,212	-	46,728
Private gifts	1,878	-	-	-	206	2,084
Interest income	163	-	-	-	-	163
Other non-operating revenues (expenses), net	22	-	-	(38)	-	(16)
Net non-operating revenues	222,039	-	16,516	30,174	206	268,935
Net income (loss) before other changes	(5,609)	(12)	3,074	29,468	(21,289)	5,632
Other changes						
Capital and other additions (deductions)	(2,932)	-	(7,325)	(82,599)	92,856	-
Interagency transfers	(727)	-	9,999	(9,272)	-	-
Total Other Changes	(3,659)	-	2,674	(91,871)	92,856	-
Change in net position	(9,268)	(12)	5,748	(62,403)	71,567	5,632
Net position at beginning of year	45,302	325	38,373	113,639	578,431	776,070
Net Position at end of year	$ 36,034	$ 313	$ 44,121	$ 51,236	$ 649,998	$ 781,702