

CONNECTICUT STATE UNIVERSITY SYSTEM

**AUDIT OF CONSTRUCTION EXPENDITURES
OF CSUS 2020 PROJECT EXPENDITURES
DURING THE FISCAL YEAR ENDED**

JUNE 30, 2013

CONNECTICUT STATE UNIVERSITY SYSTEM

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INDEPENDENT AUDITORS' REPORT

Board of Trustees and Audit Committee
Connecticut State University System

We have audited the accompanying schedules of CSUS 2020 construction expenditures – cash basis (the “Schedule”) of the Connecticut State University System (the “System”) paid during the fiscal year ended June 30, 2013 and the related notes.

Management’s Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the cash basis of accounting; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the Schedule 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 entity’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 Schedule.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the construction expenditures related to identified CSUS 2020 projects of the System that were paid during the fiscal year ended June 30, 2013, in conformity with the cash basis of accounting.

This report is intended solely for the information and use of the Board of Trustees, the Audit Committee, and management of the System and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Hartford, CT
December 17, 2013

CONNECTICUT STATE UNIVERSITY SYSTEM

SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES - CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2013

| Project Name | Approved Budget | Expenditures Paid in the Year Ended June 30, 2013 | Recommended Adjustments | Adjusted Expenditures Paid in the Year Ended June 30, 2013 | Expenditures Paid during the period of July 1, 2008 through June 30, 2012 | Total Adjusted Expenditures Paid To Date |
|---------------------------------------------------------------|------------------------|----------------------------------------------------------|--------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------|
| <i>Eastern Connecticut State University:</i> | | | | | | |
| Code Compliance/Infrastructure Improvements | \$ 12,080,113 | \$ 2,392,740 | \$ -- | \$ 2,392,740 | \$ 6,379,857 | \$ 8,772,597 |
| Fine Arts Instructional Center (design & construction) | 12,000,000 | 3,938,929 | -- | 3,938,929 | 2,217,938 | 6,156,867 |
| Athletic Support Building | 1,921,000 | 569,151 | -- | 569,151 | 95,950 | 665,101 |
| New Warehouse | 2,269,000 | 931,045 | -- | 931,045 | 112,396 | 1,043,441 |
| Outdoor Track- Phase II | 1,816,000 | 9,974 | -- | 9,974 | 1,435,160 | 1,445,134 |
| <i>Western Connecticut State University</i> | | | | | | |
| Fine Arts Instructional Center | 80,605,000 | 37,575,540 | -- | 37,575,540 | 10,724,091 | 48,299,631 |
| Code Compliance/Infrastructure Improvements | 8,439,330 | 1,888,130 | -- | 1,888,130 | 4,058,873 | 5,947,003 |
| University Police Department Building (design & construction) | 500,000 | 6,250 | -- | 6,250 | -- | 6,250 |
| <i>Central Connecticut State University</i> | | | | | | |
| Code Compliance/Infrastructure Improvements | 22,850,445 | 5,185,516 | -- | 5,185,516 | 8,646,215 | 13,831,731 |
| New Classroom Office Building | 33,978,000 | 14,145,036 | -- | 14,145,036 | 9,118,969 | 23,264,005 |
| East Campus Infrastructure Development | 13,244,000 | -- | -- | -- | -- | -- |
| New Maintenance/Salt Shed Facility | 2,503,000 | 30,318 | -- | 30,318 | 2,138,010 | 2,168,328 |
| Renovate/Expand Willard and DiLoreto Halls | 5,892,000 | -- | -- | -- | -- | -- |
| <i>Southern Connecticut State University</i> | | | | | | |
| Code Compliance/Infrastructure Improvements | 17,664,683 | 2,266,442 | -- | 2,266,442 | 9,337,014 | 11,603,456 |
| New Laboratory Building/Parking Garage | 66,642,000 | 3,155,921 | -- | 3,155,921 | 4,990,740 | 8,146,661 |
| Buley Library | 17,436,817 | 1,019,919 | -- | 1,019,919 | -- | 1,019,919 |

CONNECTICUT STATE UNIVERSITY SYSTEM

SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES - CASH BASIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

| Project Name | Approved Budget | Expenditures Paid in the Year Ended June 30, 2013 | Recommended Adjustments | Adjusted Expenditures Paid in the Year Ended June 30, 2013 | Expenditures Paid during the period of July 1, 2008 through June 30, 2012 | Total Adjusted Expenditures Paid To Date |
|--------------------------------------------------------|------------------------|----------------------------------------------------------|--------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------|
| <i>Connecticut State University System Office</i> | | | | | | |
| New and Replacement Equipment | \$ 36,395,000 | \$ 5,600,432 | \$ -- | \$ 5,600,432 | \$ 14,529,141 | \$ 20,129,573 |
| Land and Property | 7,250,190 | -- | -- | -- | 3,110,711 | 3,110,711 |
| Telecommunications Infrastructure Upgrade | 12,841,000 | 1,295,843 | -- | 1,295,843 | 954,980 | 2,250,823 |
| Alterations/Improvements: Auxillary Service Facilities | <u>23,672,422</u> | <u>1,828,722</u> | <u>--</u> | <u>1,828,722</u> | <u>7,782,506</u> | <u>9,611,228</u> |
| | <u>\$ 380,000,000</u> | <u>\$ 81,839,908</u> | <u>\$ --</u> | <u>\$ 81,839,908</u> | <u>\$ 85,632,551</u> | <u>\$ 167,472,459</u> |

CONNECTICUT STATE UNIVERSITY SYSTEM

NOTES TO SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES – CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - PRESENTATION

The Connecticut State University System (the “System”) is a comprehensive institution of higher education and is a major enterprise fund of the State of Connecticut. The Connecticut State University System Infrastructure Act (“CSUS 2020”) authorized the issuance of up to \$950,000,000 in general obligation bonds over a ten year period beginning in fiscal year June 2009. CSUS 2020 funds capital improvements on all four universities (Eastern Connecticut State University, Central Connecticut State University, Western Connecticut State University, and Southern Connecticut State University), along with improvements made to the Central Office of the System.

CSUS has prepared the schedule of CSUS 2020 construction expenditures (the “Schedule”) on the cash basis of accounting rather than under the accrual basis method in accordance with accounting principles generally accepted in the United States of America. As such, certain expenditures are recognized when cash is disbursed rather than when the related obligation is incurred.

The Schedule has been prepared by System management to comply with Connecticut General Statute section 10a-91h requiring independent auditors to annually conduct an audit of any project of CSUS 2020 as defined in subdivision (4) of Section 10a-91c. The purpose of the legislation is to provide a specified level of assurance that invoices, expenditures, cost allocations, and other appropriate documentation reconcile to project costs and are in conformance with project budgets, cost allocations agreements and applicable contracts and shall be submitted to the Governor and the General Assembly in accordance with Section 11-4a.

The Schedule does not include expenditures paid for or incurred by the Department of Public Safety (“DPS”). DPS directly pays for the costs associated with Building Code and Fire Code inspections of “threshold buildings”. “Threshold buildings” are defined by Connecticut State Statute §29-276b as, “(1) having four stories, (2) sixty feet in height, (3) with a clear span of one hundred fifty feet in width, (4) containing one hundred fifty thousand square feet of total gross floor area, or (5) with an occupancy of one thousand persons.” The System provides funding through its operating funds for the necessary costs of the Department of Public Safety for the inspection of non-threshold buildings that are part of CSUS 2020. Because these expenditures paid by DPS are not paid with CSUS 2020 bond funds, the expenditures are not included in the Schedule.

CONNECTICUT STATE UNIVERSITY SYSTEM

NOTES TO SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES – CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

Management uses estimates and assumptions in preparing the Schedule in accordance with the cash basis of accounting. Those estimates and assumptions affect the reported amounts of projects costs and disclosure of contingent project costs. Actual results could vary from the estimates that were used.

APPROVED BUDGET

The approved budget amounts are the revised budgeted amounts for the entire contract approved by the Department of Construction Services (DCS) on CSUS 2020 projects. The breakdown by category is provided by System management and approved by the DCS.

EXPENDITURES PAID IN THE YEAR ENDED JUNE 30, 2013

Expenditures paid in the year ended June 30, 2013 represent expenditures that were paid on CSUS 2020 projects during the fiscal year ended June 30, 2013.

RECOMMENDED ADJUSTMENTS

Recommended adjustments are the net value of costs reviewed that either lacked sufficient supporting documentation or represented errors.

ADJUSTED EXPENDITURES PAID IN THE YEAR ENDED JUNE 30, 2013

Adjusted expenditures paid in the year ended June 30, 2013 include expenditures that were paid on CSUS 2020 projects during the fiscal year ended June 30, 2013 plus (or minus) the recommended adjustments.

EXPENDITURES PAID DURING THE PERIOD OF JULY 1, 2008 THROUGH JUNE 30, 2012

Expenditures paid during the period of July 1, 2008 through June 30, 2012 represent expenditures that were paid on CSUS 2020 projects from inception of the projects through June 30, 2012.

CONNECTICUT STATE UNIVERSITY SYSTEM

NOTES TO SCHEDULE OF CSUS 2020 CONSTRUCTION EXPENDITURES – CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TOTAL ADJUSTED EXPENDITURES PAID TO DATE

Total expenditures paid to date represent expenditures that were paid on CSUS 2020 projects from the inception of the project through June 30, 2013.

SUBSEQUENT EVENTS

Events subsequent to June 30, 2013 have been evaluated through December 17, 2013, the date that the financial statements were available to be issued.

NOTE 3 - CONSTRUCTION EXPENDITURES

Construction expenditures include all general contractor and subcontractor costs, and indirect costs related to project performance such as design fees, indirect labor, insurance, and professional fees that can be attributed to specific projects. Indirect costs not specifically allocable to contracts and general and administrative costs are charged to expense when paid.