

Connecticut State University System

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

Combined Financial Statements

**June 30, 2010 with Summarized Financial Information for the Year
Ended June 30, 2009**

Connecticut State University System
Index to Combined Financial Statements
June 30, 2010 and 2009

	Page(s)
Report of Independent Auditors	1-2
Management’s Discussion and Analysis.....	3-15
Combined Financial Statements	
Combined Statements of Net Assets.....	16-17
Combined Statements of Net Assets – Component Units.....	18
Combined Statements of Revenues, Expenses and Changes in Net Assets.....	19
Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units.....	20
Combined Statements of Cash Flows	21-22
Notes to Combined Financial Statements	23-44
Supplemental Financial Information.....	S-1 - S-8

Report of Independent Auditors

To the Board of Trustees of
Connecticut State University System

In our opinion, based on our audit and the reports of other auditors, the combined financial statements listed in the accompanying index, present fairly, in all material respects, the financial position of Connecticut State University System (The System Office; Central Connecticut State University; Eastern Connecticut State University; Southern Connecticut State University and Western Connecticut State University – “CSUS”) and its aggregate discretely presented component units (affiliated foundations – “Foundations”) at June 30, 2010 and 2009, and combined revenues, expenses and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These combined financial statements are the responsibility of CSUS’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundations, which statements reflect total net assets of \$66.4 million and \$57.0 million as of June 30, 2010 and 2009, respectively, and total revenues, gains and other support of \$15.4 million and \$(1.5) million for the years ended June 30, 2010 and 2009, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers LLP

December 10, 2010

Connecticut State University System

Management's Discussion and Analysis (Unaudited)

June 30, 2010 and 2009

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, 2010 with comparative information for the fiscal years ended June 30, 2009 and 2008. It has been prepared by CSUS Management and is required supplemental information for the financial statements and the footnotes that follow this section.

CSUS is the largest comprehensive public institution of higher learning in the State of Connecticut with approximately 36,600 students and 185,000 alumni. The System's four Universities are Central Connecticut State University in New Britain, Eastern Connecticut State University in Willimantic, Southern Connecticut State University in New Haven, and Western Connecticut State University in Danbury; (collectively the "Universities"). The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 182 subject areas and provide extensive opportunities for internships, community service and cultural engagement. CSUS, in total, employed more than 3,200 full time employees at June 30, 2010.

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

Using the Financial Statements

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

Historically, CSUS accounted for capitalized library materials by systematically deleting the value of library materials at the end of their estimated useful lives. In 2009, CSUS changed its method of accounting for library materials to recognize the depreciation of library materials by recording annual depreciation on a straight line basis over the estimated useful lives of the materials. This change in accounting principle is reported in the statements of revenues, expenses, and changes in net assets as a cumulative effect of a change in accounting principle, which is an adjustment to beginning net assets in the earliest year presented. The cumulative effect of the adjustment reduced net assets by \$21.7 million as of July 1, 2007.

Connecticut State University System

Management's Discussion and Analysis (Unaudited)

June 30, 2010 and 2009

Financial Highlights

At June 30, 2010, total assets of the System were \$1,390.9 million, an increase of \$26.0 million or 1.9% over the prior year amount of \$1,364.9 million, primarily due to increases in cash and cash equivalents of \$42.7 million and net student receivables of \$9.3 million, offset by decreases in Due from the State of Connecticut of \$8.1 million and net investment in plant of \$18.0 million. At June 30, 2009, total assets of the System were \$1,321.7 million, an increase of \$43.2 million or 3.3% over the restated prior year amount of \$1,321.7 million, primarily due to increases in cash, cash equivalents and investments of \$11.8 million, net student receivables of \$14.6 million, net investment in plant of \$4.0 million and a \$21.7 million reduction in fiscal year 2008 library materials due to a prior period restatement offset by a decrease in Due from the State of Connecticut of \$10.5 million

Total liabilities at June 30, 2010, of \$595.8 million increased by \$3.3 million or .6% over the prior year level of \$592.5 million primarily due to increases in deferred revenues of \$13.4 million and Due to the State of Connecticut of \$13.0 million, offset by decreases in accounts payable of \$4.2 million and bonds payable of \$19.2 million. Total liabilities at June 30, 2009, of \$592.5 million increased by \$3.2 million or .5% over the prior year level of \$589.3 million primarily due to increases in deferred revenues of \$12.3 million, accounts payable of \$2.4 million, accrued salaries and benefits of \$3.0 million and \$6.3 million in future sick and vacation payouts as a result of the State of Connecticut Retirement Incentive Program ("RIP") that took place at the end of fiscal year 2009, offset by decreases in bonds payable of \$19.4 million and accrued compensation absences of \$1.3 million.

At June 30, 2010, total net assets, which represent the residual interest in the System's assets after liabilities are deducted, were \$795.1 million, an increase of \$22.7 million or 2.9% over last fiscal year's net assets of \$772.4 million. In fiscal year 2010, the System had a decrease in the amount of change in net assets of \$17.3 million compared to fiscal year 2009. This decrease was primarily due to a mandatory transfer to the State of Connecticut of \$15.0 million, \$13 million of which will actually occur in fiscal year 2011, as well as a reduction in state financed plant facilities of \$44.5 million. These deductions were offset by increases in net tuition and fees of \$21.6 million and federal grants and contracts of \$7.9 million and a reduction in salaries and benefits of \$14.9 million. At June 30, 2009, total net assets were \$772.4 million, an increase of \$40.0 million or 5.5% over the prior fiscal year's restated net assets of \$732.4 million. In fiscal year 2009, the System had a decrease in the amount of change in net assets of \$6.1 million compared to fiscal year 2008. This decrease was primarily due to decreases in restricted state bond appropriations of \$14.7 million, investment income of \$7.2 million and general state appropriations of \$3.0 million offset by an increase in tuition and fees of \$16.6 million.

Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009

Statement of Net Assets

SUMMARY OF NET ASSETS					
June 30, 2010, 2009 and 2008					
(\$ In millions)					
				\$	%
	2010	2009	2008	Increase (Decrease) 09-10	Increase (Decrease) 09-10
Current Assets	\$401.2	\$355.6	\$343.6	\$45.6	12.8
Non-Current Assets:					
Capital Assets, net	846.9	865.0	839.3	(18.1)	(2.1)
Other	142.8	144.3	138.8	(1.5)	(1.0)
Total Assets	1390.9	1364.9	1321.7	26.0	1.9
Current Liabilities	288.0	268.0	250.6	20.0	7.5
Non-current liabilities	307.8	324.5	338.7	(16.7)	(5.1)
Total Liabilities	595.8	592.5	589.3	3.3	.6
Net Assets					
Investment in Plant – Net of Related Debt	664.7	664.6	624.0	.1	-
Restricted					
Nonexpendable	.9	1.0	1.0	(.1)	(10.0)
Expendable	28.6	33.3	28.8	(4.7)	(14.1)
Total Restricted	29.5	34.3	29.8	(4.8)	(14.0)
Unrestricted	100.9	73.5	78.6	27.4	37.3
Total Net Assets	\$795.1	\$772.4	\$732.4	\$22.7	2.9

Current assets at June 30, 2010 of \$401.2 million increased by \$45.6 million or 12.8% primarily due to increases in cash and cash equivalents of \$42.9 million and net student receivables of \$9.3 million, offset by a decrease in Due from the State of Connecticut of \$8.1 million. Total current assets represent coverage of current operating expenses excluding depreciation and amortization of approximately eight months. The System's current ratio of 1.4:1 at the end of the fiscal year was slightly better than last fiscal year.

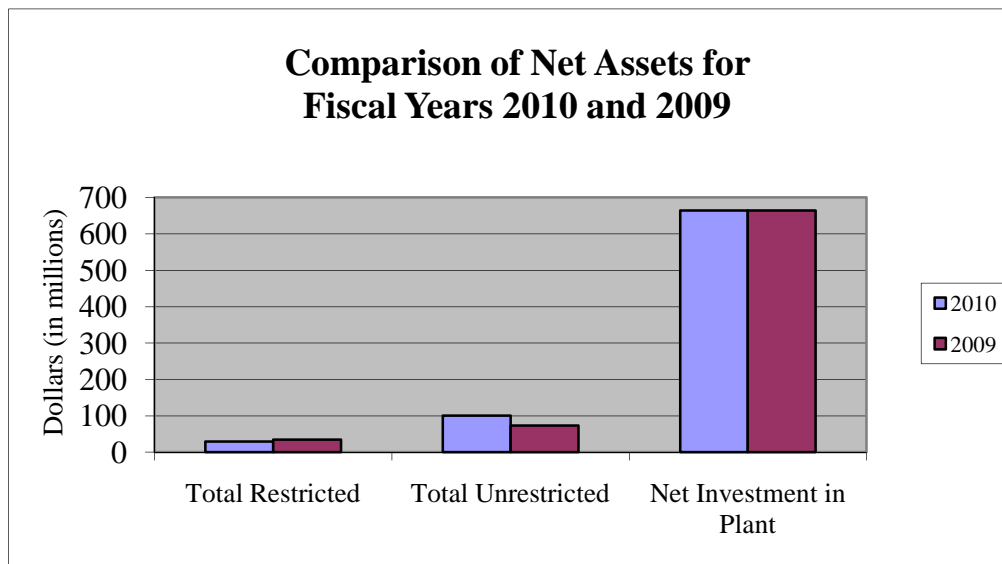
**Connecticut State University System
Management’s Discussion and Analysis (Unaudited)
June 30, 2010 and 2009**

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

Total non-current assets at June 30, 2010, of \$989.7 million decreased by \$19.6 million or 1.9% from the fiscal year 2009 level of \$1,009.3 million primarily due to a decrease in net investment in plant of \$18.0 million. Total non-current assets at June 30, 2009, of \$1,009.3 million increased by \$31.2 million or 3.2% over fiscal year restated 2008 level of \$978.1 million primarily due to an increase in non-current cash and cash equivalents of \$5.6 million and a fiscal year 2008 restatement of library materials resulting in a decrease in capital assets of \$21.7 million.

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

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



**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009**

NET INVESTMENT IN PLANT					
June 30, 2010, 2009 and 2008					
(\$ In millions)					
				\$	%
	2010	2009	2008	Increase (Decrease) 09-10	Increase (Decrease) 09-10
Land	\$18.4	\$18.4	\$18.4	\$ -	-
Buildings & Improvements	1,085.1	1,070.4	1,005.4	14.7	1.4
Land Improvements	81.4	76.6	76.2	4.8	6.3
Furniture, Fixtures & Equipment	134.2	132.5	125.4	1.7	1.3
Library books and materials	58.8	55.7	58.2	3.1	5.6
Construction in progress	14.3	15.9	17.9	(1.6)	(10.1)
Total Investment in Plant	1,392.2	1,369.5	1,301.5	22.7	1.7
Less Accumulated Depreciation	545.2	504.5	462.2	40.7	8.1
Investment in Plant, Net of Depreciation	\$847.0	\$865.0	\$839.3	\$(18.0)	(2.1)

At fiscal year end June 30, 2010, the System had total investment in plant assets of \$1,392.2 million, an increase of \$22.7 million or 1.7% over the fiscal year end 2009 level of \$1,369.5 million. This increase was primarily due to various improvements to existing buildings during the fiscal year. Total additions to depreciable capital assets of \$34.5 million during the fiscal year reflect the deferral of the second year of funding through the CSUS 2020 program, described below, as well as a reduction in bond fund allocations to CSUS by the Bond Commission during the year. At fiscal year end June 30, 2009, the System had \$1,369.5 million invested in plant assets, an increase of \$68.0 million or 5.2% over the fiscal year end 2008 level of \$1,301.5 million. This increase was primarily due to the completion of a science building at one of our universities and other major enhancements of existing buildings during the fiscal year. Total additions to depreciable capital assets of \$86.6 million during the fiscal year were indicative of the State's continued strong commitment to long term capital investment at the CSUS Universities.

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

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009**

Commission during 2009, and \$2.0 million was allocated by the Bond Commission during 2010, bringing the total amount of allocations to CSUS between 1997 and 2010 to \$694.5 million.

Public Act 07-7 also established a \$950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS universities. Effective July 1, 2008, this program, known as "CSUS 2020", provides CSUS with additional flexibility in the allocation of bond funds, through the one time allocation of \$950 million, with allotments approved annually by the Governor, thus allowing for more timely completion of major university construction projects. 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 addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the thirteenth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Funds available from six CHEFA bond issues totaled \$375.4 million. In addition, \$49.5 million was issued in February 2004, \$48.5 million was issued in June 2005 and \$62.8 million was issued in April 2007 to refund selected maturities from prior CHEFA bond issues. The auxiliary service capital plan was last reviewed and updated in 2005 and requires approximately \$100.9 million in additional funds. Funding for the \$100.9 million program includes \$20 million provided by the State in general obligation bonds to finance auxiliary service projects that otherwise would be financed by the System through CHEFA. The auxiliary services capital plan will be updated in FY 2011 prior to initiation of the next CHEFA bond issue, and will identify funding requirements for projects through fiscal year 2015.

Statement of Revenues, Expenses and Changes in Net Assets

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS June 30, 2010, 2009 and 2008 (\$ In millions)					
				\$	%
	2010	2009	2008	Increase (Decrease) 09-10	Increase (Decrease) 09-10
Operating Revenues					
Tuition and fees	\$243.7	\$222.1	\$205.5	\$21.6	9.7
Auxiliary revenues	91.2	84.8	79.0	6.4	7.5
Grants & Indirect Cost Recoveries	61.6	54.2	50.1	7.4	13.7
Other	16.5	12.5	15.5	4.0	32.0
Total Operating Revenues	413.0	373.6	350.1	39.4	10.5
Less: Operating Expenses before depreciation and amortization	590.3	589.0	568.2	1.3	.2
Depreciation	49.5	50.0	42.3	(.5)	(1.0)
Amortization	.4	.4	.4	-	-

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009**

Operating Loss	(227.2)	(265.8)	(260.8)	38.6	14.5
Non-Operating Revenues and Other					
State Appropriations	254.8	248.5	266.2	6.3	2.5
Investment Income	1.6	4.5	11.7	(2.9)	(64.4)
Other	(6.5)	52.8	29.0	(59.3)	(112.3)
Total Non-Operating Revenues	249.9	305.8	306.9	(55.9)	(18.3)
Increase in Net Assets	22.7	40.0	46.1	(17.3)	(43.3)
Net Assets, beginning of year	772.4	732.4	708.0	40.0	5.5
Cumulative effect of change in accounting policy and principles –library materials	-	-	(21.7)	-	-
Net Assets, end of year	\$795.1	\$772.4	\$732.4	22.7	2.9

In fiscal year 2010, total net revenues of \$662.9 million decreased by \$16.5 million or 2.4% compared to the fiscal year 2009 level of \$679.4 million. This decrease was primarily due to a \$15 million transfer to the State of Connecticut, \$13 million of which will actually take place in fiscal year 2011. Operating revenues of \$413.0 million at June 30, 2010 increased by \$39.4 million or 10.5% from the previous year, primarily due to increases in tuition and fees of \$21.6 million, auxiliary revenues of \$6.4 million and grants of \$7.5 million. The increase in tuition and fees over the prior year is due to an average 5.4% increase in tuition and required fees coupled with a 3.0% increase in total annualized FTE enrollment. In fiscal year 2009, total revenues of \$679.4 million increased by \$22.4 million or 3.4% compared to the fiscal year 2008 level of \$657.0 million. Operating revenues of \$373.6 million at June 30, 2009 increased by \$23.5 million or 6.7% from the previous year, primarily due to increases in tuition and fees of \$16.6 million and auxiliary revenues of \$5.8 million. The increase in tuition and fees over the prior year was due to an average 6.6% increase in tuition and required fees coupled with a 2.7% increase in total annualized FTE enrollment.

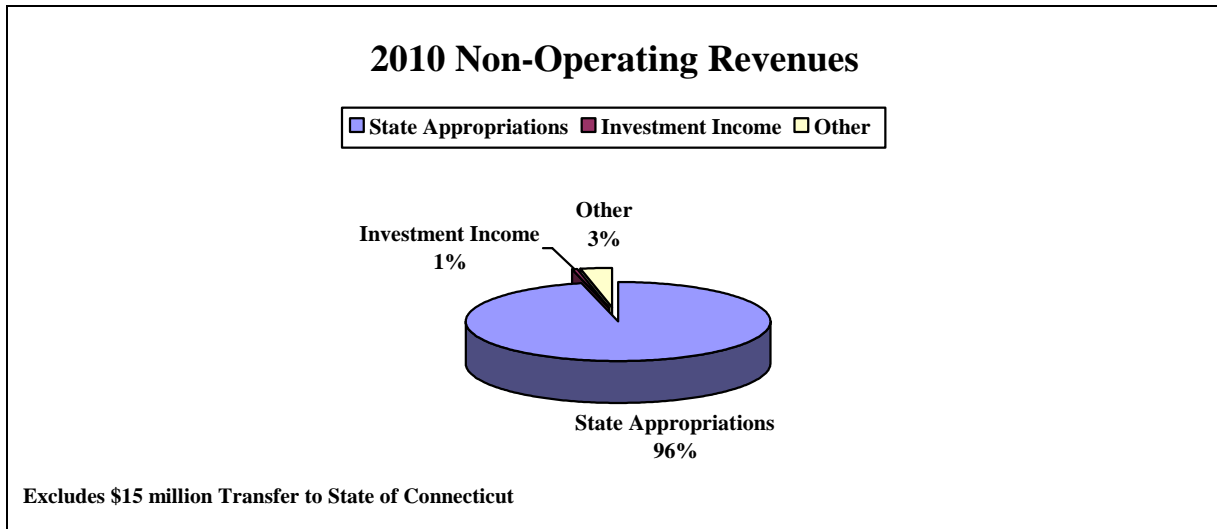
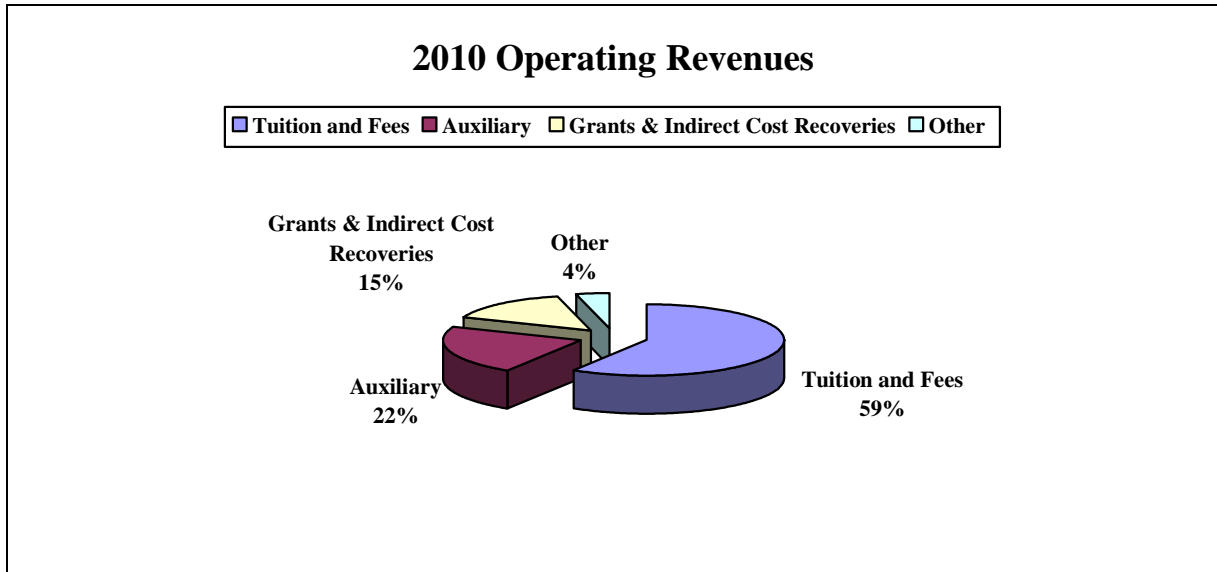
In fiscal year 2010, state appropriations of \$254.8 million, representing 38.4% of the System's total net revenues, were \$6.3 million or 2.5% above fiscal year 2009. State appropriations are received for both operating and capital purposes. In the current year the System was allotted \$242.1 million for operating purposes and \$12.7 million for capital purposes. These allotments were 1.6% and 26.3% 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 65% of the System's salary and fringe benefit costs are funded from State appropriations. The receipt of title to plant facilities of \$5.0 million during the fiscal year decreased by \$44.5 million or 89.9% from the prior year's level of \$49.5 million. The prior year's level reflected the completion of a science center at one of our universities, whereas no construction projects of comparable size were completed in fiscal year 2010.

Investment income of \$1.6 million decreased by \$2.9 million or 64.4% below fiscal year 2009. This decrease in investment income was due to a decrease in interest rates during fiscal year 2010.

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

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009**

Revenue by Source



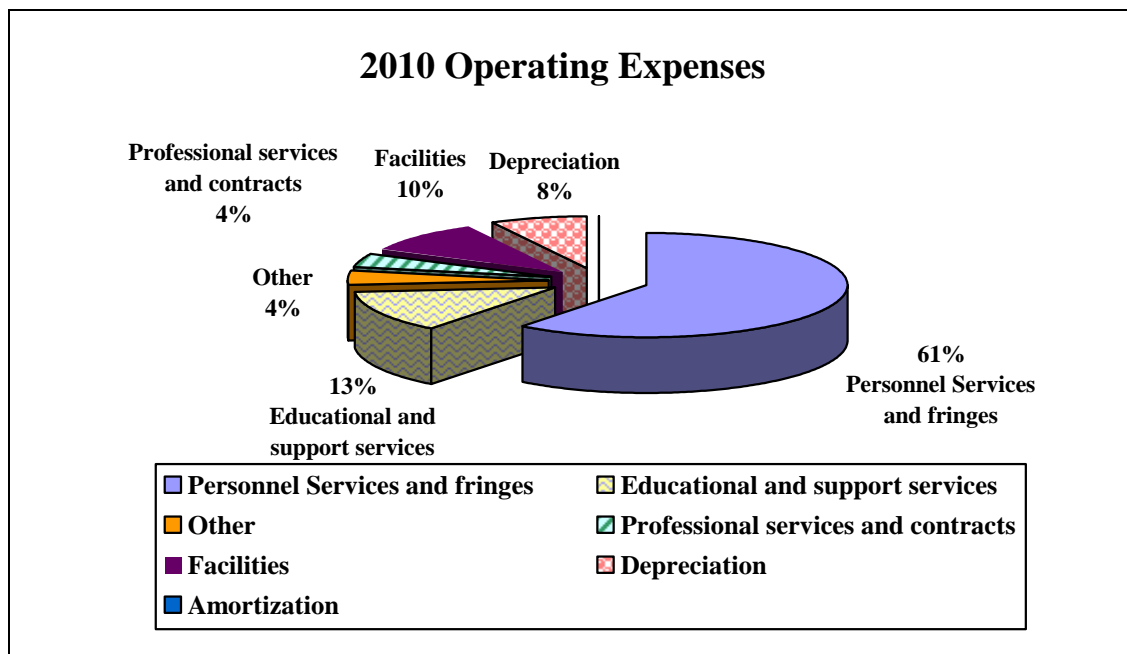
Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009

OPERATING EXPENSES					
June 30, 2010, 2009 and 2008					
(\$ In millions)					
				\$	%
	2010	2009	2008	Increase (Decrease) 09-10	Increase (Decrease) 09-10
Operating Expenses					
Personnel service and fringes	\$387.4	\$402.3	\$379.8	\$(14.9)	(3.7)
Professional services and contracts	26.7	24.7	24.5	2.0	8.1
Educational and support services	83.4	71.4	69.4	12.0	16.8
Facilities	64.6	60.7	63.1	3.9	6.4
Other	28.2	29.9	31.4	(1.7)	(5.7)
Depreciation	49.5	50.0	42.3	(5)	(1.0)
Amortization	.4	.4	.4	-	-
Total Operating Expenses	\$640.2	\$639.4	\$610.9	\$8	.1

For the year ended June 30, 2010, total operating expenses less depreciation and amortization of \$590.3 million increased by \$1.3 million or .2% from the prior fiscal year. Educational and support services increased by \$12.0 million mainly due to increases in Federal and institutional need-based financial aid. Facilities expense and professional services and contracts expense increased by \$3.9 million and \$2.0 million, respectively. Partially offsetting the operating expense increases was the \$14.9 million or 3.7% decrease in personnel services and fringes due to a salary freeze as well as a reduction in systemwide personnel. For the year ended June 30, 2009, total operating expenses less depreciation and amortization of \$589.0 million increased by \$20.8 million or 3.7% over the prior fiscal year. Personnel services and fringes increased by \$22.5 million or 5.9% due to annual salary increases ranging between 4% and 5.6%. Educational and support services increased by \$2.0 million due to additional expenditures for auxiliary services and financial aid, while facilities expenses decreased by \$2.4 million, reflecting spending restrictions in place during the fiscal year.

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

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009**



Statement of Cash Flows

STATEMENT OF CASH FLOWS					
June 30, 2010, 2009 and 2008					
(\$ In millions)					
				\$	%
	2010	2009	2008	Increase (Decrease) 09-10	Increase (Decrease) 09-10
Cash provided (used) by					
Operating Activities	\$(174.9)	\$(209.4)	\$(211.8)	34.5	16.5
Non-Capital Financing Activities	244.6	243.4	238.1	1.2	.5
Capital & Related Financing Activities	(29.4)	(27.3)	(29.8)	(2.1)	(7.7)
Investing Activities	2.4	6.2	12.2	(3.8)	(61.3)
Net Increase (Decrease) in Cash	42.7	12.9	8.7	29.8	231.0
Cash, beginning of year	232.8	219.9	211.2	12.9	5.9
Cash, end of year	\$275.5	\$232.8	\$219.9	42.7	18.3

The System's change in its net increase in cash and cash equivalents at June 30, 2010 of \$29.8 million or 231.0% is primarily due to increases in cash from tuition and fees and corresponding auxiliary income of \$32.7 million resulting from increases in both tuition rates and enrollment offset by a decrease in cash used for educational services and support of \$12.3 million.

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009**

Enrollment

The following table indicates historical enrollment of undergraduate and graduate students for the 2005-2006 through 2009-2010 academic years. Also indicated is full-time equivalent student enrollment.

Fall Headcount Enrollment and Annual Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Annual Full Time Equivalent	% Change
2010	29,695	1.5%	6,808	2.7%	36,503	1.7%	28,473	3.0%
2009	29,263	2.5%	6,628	(2.8%)	35,891	1.4%	27,641	2.7%
2008	28,564	.2%	6,820	(6.5%)	35,384	(1.2%)	26,922	1.4%
2007	28,503	2.1%	7,292	(3.6%)	35,795	0.9%	26,547	1.5%
2006	27,927	0.6%	7,566	(2.5%)	35,493	(0.1%)	26,146	1.6%

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 2006 through 2010.

Fall Semester First-Time Full-Time Student Admissions					
Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2010	20,280	61.4%	12,447	35.9%	4,471
2009	19,587	60.1%	11,777	38.1%	4,489
2008	19,907	57.1%	11,360	40.0%	4,539
2007	18,044	57.2%	10,321	44.1%	4,551
2006	17,059	60.2%	10,277	41.7%	4,290

Economic Outlook

The most significant economic factor impacting CSUS continues to be the fiscal stability of the State of Connecticut. The total of tuition, fees and State appropriations accounted for 73.5% of the total revenues of the System in 2010. The System received \$242.1 million in State appropriations for operating activities in fiscal year 2010, and currently anticipates appropriations of \$244.9 million in fiscal year 2011.

Connecticut continues to face challenging economic conditions. The State entered the recession later than other states, and its recovery is expected to lag the national recovery as well. The state lost more than 100,000 jobs between March 2008 and December 2009, and has regained a net of only 2,500 of those positions in the first ten months of calendar year 2010. However, on the positive side, job losses are slowing and many believe that employment is close to expanding again. Growth in tax revenues have been favorable in 2010, existing home sales in Connecticut were up in October 2010 more than 12 percent over the same time last year, and new housing permits are also showing signs of resurgence.

The State ended the 2010 fiscal year with a surplus of \$449.4 million, and per the Office of the State Comptroller a slight budget surplus is projected for FY 2011; however, the FY 2011 budget relies on

Connecticut State University System Management's Discussion and Analysis (Unaudited) June 30, 2010 and 2009

significant one-time sources of revenue that will not be available in FY 2012, including the planned issuance of Economic Recovery Revenue Bonds, utilization of the FY 2010 surplus, utilization of the remainder of the Budget Reserve Fund, and the final year of enhanced federal stimulus funding. Deficits of over \$3 billion each year are currently forecast for FY 2012, FY 2013, and FY 2014.

Operating revenues increased in fiscal year 2010 and are expected to increase in fiscal year 2011. Full time equivalent (FTE) enrollment at the System has increased every year since fiscal year 1996, and is at an all-time high; FTE enrollment for the fall 2010 semester continued this upward trend.

CSUS anticipates that the amount of State appropriation available for operating purposes in the next few years will decline. At the same time, CSUS must be ready to serve an ever-growing population of current and potential students. CSUS has been working on a number of initiatives to bolster access and student readiness, including several programs to ensure that high school graduates are better prepared for college, as well as a new Dual Admission program that includes all 12 Connecticut Community Colleges and all four CSUS universities. In addition, CSUS is one of 20 university systems nationwide to participate in *Access to Success*, a multi-year, multi-tier effort to increase the number of students entering and graduating college, with special focus on minority and low-income students, recognizing changing demographics and the increasing demands of global competition. The initiative was developed by the National Association of System Heads in partnership with the Education Trust. CSUS expects its enrollment to continue growing at a record pace.

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

CSUS increased tuition and required fees on average by 5.4% in fiscal year 2010, versus an average increase nationally of 6.5%. However, in order to ensure that a CSUS education continues to be accessible and affordable, the System also processed \$15.1 million more in financial aid than was budgeted during the fiscal year. CSUS remains committed to its mission of access and affordability.

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

During fiscal year 2010, construction was completed on phase I of window replacements and fire code improvements to Central Connecticut State University's administration building, as well as improvements to the intercollegiate baseball, softball and soccer fields. Window replacements were initiated for two other campus buildings. In addition, construction began on HVAC improvements at one residence hall and at several administrative, academic and support facilities. Projects completed at Eastern Connecticut State University included renovations to the basement of a student residence hall listed on the State's Register of Historic Places and phase II of the outdoor track. In addition, construction activities

**Connecticut State University System
Management's Discussion and Analysis (Unaudited)
June 30, 2010 and 2009**

continued on a new 808-vehicle parking garage, and commenced on phase II renovations to a residence hall facility, exterior repairs to an administrative support building, and masonry repairs to the campus sports center. Construction projects begun at Southern Connecticut State University included pool repairs in the campus field house, fire sprinkler installation in an apartment style residence hall, and the comprehensive renovation of a second residence hall facility. At Western Connecticut State University, roadway reconstruction and renovations for an MIS laboratory/classroom were completed, and construction began on improvements to the field house arena. Telecommunications infrastructure upgrades were initiated for construction at both Eastern and Western.

Just as the state economy, while still challenging, is beginning to show signs of recovery, the national economy is also beginning to rebound, albeit sluggishly. The Federal Reserve indicates that while household spending is increasing gradually, it remains constrained by high unemployment, modest income growth, lower personal wealth, and tight credit. Business spending on equipment and software is rising slowly; however, employers remain reluctant to add to payrolls. Housing starts continue to be depressed. In general, most economic forecasts expect the recovery to continue to creep along for the next few years, with unemployment remaining elevated.

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

Connecticut State University System
Combined Statements of Net Assets
June 30, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents (Notes 2 and 12)	\$ 170,121,297	\$ 127,199,289
Investments (Note 2)	13,705,194	13,518,894
Student receivables	170,894,634	161,175,896
Allowance-doubtful student receivables	(6,164,223)	(5,712,423)
Student receivables, net (Note 3)	<u>164,730,411</u>	<u>155,463,473</u>
Student loans receivable (Notes 3 and 4)	1,520,338	1,916,738
Grants receivable, net (Note 3)	2,479,067	2,057,938
Miscellaneous receivables, net (Note 3)	1,798,303	1,738,610
Due from the State of Connecticut (Notes 1 and 5)	43,693,555	51,743,674
Prepaid expenses and other current assets	3,155,990	1,932,254
Total current assets	<u>401,204,155</u>	<u>355,570,870</u>
Noncurrent assets		
Cash and cash equivalents (Notes 2 and 12)	105,351,844	105,578,044
Investments (Note 2)	25,760,370	26,661,944
Student loans receivable	12,425,458	12,078,473
Allowance-doubtful loan receivables	(2,727,528)	(2,744,809)
Loans receivable, net (Notes 3 and 4)	<u>9,697,930</u>	<u>9,333,664</u>
Other assets	1,910,201	2,727,287
Investment in plant	1,392,198,985	1,369,475,018
Accumulated depreciation	(545,252,952)	(504,489,809)
Investment in plant, net of accumulated depreciation (Note 6)	<u>846,946,033</u>	<u>864,985,209</u>
Total noncurrent assets	<u>989,666,378</u>	<u>1,009,286,148</u>
Total assets	<u>\$ 1,390,870,533</u>	<u>\$ 1,364,857,018</u>

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

Connecticut State University System
Combined Statements of Net Assets
June 30, 2010 and 2009

(Continued)

	2010	2009
Liabilities		
Current liabilities		
Accounts payable	\$ 9,993,219	\$ 14,198,808
Accrued salaries and benefits	49,300,230	50,578,423
Accrued compensated absences (Note 7)	1,961,364	1,887,145
Due to the State of Connecticut	16,217,871	3,234,495
Deferred revenue (Note 9)	183,247,432	169,865,409
Bonds payable (Note 8)	18,523,915	19,244,035
Accrued bond interest payable	1,916,610	2,029,269
Capital lease obligation (Note 8)	6,424	21,214
Other liabilities	3,284,688	3,243,682
Depository accounts	3,578,463	3,746,301
Total current liabilities	<u>288,030,216</u>	<u>268,048,781</u>
Noncurrent liabilities		
Accrued compensated absences (Note 7)	32,103,974	30,074,784
Bonds payable (Note 8)	259,141,275	277,667,189
Federal loan program advances	9,777,097	9,777,097
Deferred compensation (Note 8)	398,427	272,353
Other liabilities (Note 7)	6,296,365	6,635,440
Capital lease obligation (Note 8)	12,213	18,637
Total noncurrent liabilities	<u>307,729,351</u>	<u>324,445,500</u>
Total liabilities	<u>595,759,567</u>	<u>592,494,281</u>
Net Assets		
Invested in capital assets, net of related debt	664,708,567	664,566,915
Restricted		
Nonexpendable	874,612	991,542
Expendable	28,597,463	33,340,678
Unrestricted	100,930,324	73,463,602
Total net assets	<u>795,110,966</u>	<u>772,362,737</u>
Total liabilities and net assets	<u>\$ 1,390,870,533</u>	<u>\$ 1,364,857,018</u>

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

Connecticut State University System
Combined Statements of Net Assets – Component Units
June 30, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents (Note 2)	\$ 4,919,149	\$ 7,566,624
Investments (Note 2)	56,178,959	44,465,058
Contributions and other receivables (Note 3)	782,350	592,634
Prepaid expenses and other assets	967,860	959,901
Investment in plant, net (Note 6)	4,187,779	3,801,183
Total assets	<u>\$ 67,036,097</u>	<u>\$ 57,385,400</u>
Liabilities		
Accounts payable	\$ 168,516	\$ 74,458
Custodial obligation payable	51,325	52,725
Other liabilities	433,454	236,849
Long-term debt (Note 8)	20,864	49,309
	<u>674,159</u>	<u>413,341</u>
Net assets		
Permanently restricted	52,822,696	48,221,260
Temporarily restricted	13,137,504	8,835,936
Unrestricted	401,738	(85,137)
Total net assets	<u>66,361,938</u>	<u>56,972,059</u>
Total liabilities and net assets	<u>\$ 67,036,097</u>	<u>\$ 57,385,400</u>

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

Connecticut State University System
Combined Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009
Operating revenues		
Tuition and fees		
Tuition and fees	\$ 275,248,275	\$ 250,744,057
Less		
Scholarships allowance	21,127,941	17,977,595
Waivers	10,420,594	10,705,400
Tuition and fees, net of scholarship allowances and waivers	<u>243,699,740</u>	<u>222,061,062</u>
Federal grants and contracts	41,760,605	33,895,760
State and local grants and contracts	16,025,360	16,072,925
Nongovernment grants and contracts	2,707,514	3,044,237
Indirect cost recoveries	1,107,578	1,180,188
Auxiliary revenues	91,245,504	84,850,753
Other operating revenues	16,472,406	12,526,539
Total operating revenues	<u>413,018,707</u>	<u>373,631,464</u>
Operating expenses (Note 13)		
Personnel service and fringe benefits	387,415,992	402,336,398
Professional services and fees	26,710,346	24,749,586
Educational services and support	83,393,406	71,351,004
Travel expenses	5,294,925	5,938,536
Operation of facilities	64,624,237	60,709,470
Other operating supplies and expenses	22,895,936	23,936,668
Depreciation expense	49,457,534	49,989,291
Amortization expense	380,984	385,525
Total operating expenses	<u>640,173,360</u>	<u>639,396,478</u>
Operating loss	<u>(227,154,653)</u>	<u>(265,765,014)</u>
Nonoperating revenues (expenses)		
State appropriations	242,054,721	238,314,646
Gifts	985,046	701,997
Investment income	1,562,426	4,533,133
State financed plant facilities (Note 1)	4,990,231	49,536,740
Other nonoperating revenues	2,557,740	2,552,617
Transfers to the State of Connecticut (Note 1)	(15,000,000)	-
Net nonoperating revenues (expenses)	<u>237,150,164</u>	<u>295,639,133</u>
Increase in net assets before other revenues, expenses, gains and losses	9,995,511	29,874,119
State appropriations restricted for capital purposes	12,752,718	10,097,763
Net increase in net assets	22,748,229	39,971,882
Net assets (Note 1)		
Net assets - beginning of year	<u>772,362,737</u>	<u>732,390,855</u>
Net assets - end of year	<u>\$ 795,110,966</u>	<u>\$ 772,362,737</u>

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

Connecticut State University System
Combined Statements of Revenues, Expenses and Changes in Net Assets – Component Units
Years Ended June 30, 2010 and 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010	2009
Revenues, gains and other support					
Contributions	\$ 2,393,621	\$ 1,883,205	\$ 4,540,876	\$ 8,817,702	\$ 7,029,567
State grants	-	-	-	-	51,500
Program income	54,736	262,891	10,648	328,275	356,046
Investment income	238,215	1,229,265	135	1,467,615	1,671,339
Gain (Loss) on investments	324,395	4,143,884	(5,487)	4,462,792	(10,732,020)
Other income	355,246	240	1,540	357,026	169,848
Net assets released from restrictions	3,307,405	(3,307,405)	-	-	-
Total revenues, gains and other support	<u>6,673,618</u>	<u>4,212,080</u>	<u>4,547,712</u>	<u>15,433,410</u>	<u>(1,453,720)</u>
Operating expenses					
Scholarships and awards	524,263	-	-	524,263	710,692
University support	3,186,245	-	-	3,186,245	2,878,584
Auxiliary services	424,234	-	-	424,234	321,208
Academic enrichment	845,422	-	-	845,422	302,901
Fundraising	741,834	-	-	741,834	778,348
Management and general	316,740	-	4,793	321,533	727,423
Total operating expenses	<u>6,038,738</u>	<u>-</u>	<u>4,793</u>	<u>6,043,531</u>	<u>5,719,156</u>
Transfers between funds	<u>(136,985)</u>	<u>78,468</u>	<u>58,517</u>	<u>-</u>	<u>-</u>
Changes in net assets	497,895	4,290,548	4,601,436	9,389,879	(7,172,876)
Net assets					
Beginning of year	<u>(85,137)</u>	<u>8,835,936</u>	<u>48,221,260</u>	<u>56,972,059</u>	<u>64,144,935</u>
End of year	<u>\$ 412,758</u>	<u>\$ 13,126,484</u>	<u>\$ 52,822,696</u>	<u>\$ 66,361,938</u>	<u>\$ 56,972,059</u>

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

Connecticut State University System
Combined Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Tuition and fees	\$ 233,609,832	\$ 196,681,979
Grants and contracts	60,242,797	52,303,193
Auxiliary revenues	78,668,909	82,907,991
Other operating revenues	19,389,456	14,417,000
Payments to employees for salaries and benefits	(386,414,014)	(394,860,236)
Payments to suppliers	(7,467,078)	(7,713,972)
Professional services and fees	(26,593,494)	(24,652,889)
Educational services and support	(83,577,133)	(71,228,620)
Travel expenses	(5,275,391)	(6,089,384)
Operation of facilities	(66,596,795)	(56,157,694)
Other operating supplies and expenses	(15,585,012)	(18,138,433)
University fee receipts	24,696,177	23,177,997
Net cash used in operating activities	<u>(174,901,746)</u>	<u>(209,353,068)</u>
Cash flows from noncapital financing activities		
State appropriations	243,013,691	240,256,618
Gifts for other than capital purposes	985,048	701,997
Nonoperating revenue other	2,601,387	2,490,461
Nonoperating revenue other - transfer to state	(2,000,000)	-
Net cash provided by noncapital financing activities	<u>244,600,126</u>	<u>243,449,076</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	2,409,282	3,039,657
Purchases of investments	(1,694,008)	(1,933,036)
Interest and dividends received on investments	1,667,126	5,103,756
Net cash provided by investing activities	<u>2,382,400</u>	<u>6,210,377</u>
Cash flows from capital and related financing activities		
Cash paid for capital assets	(30,147,795)	(26,352,083)
State capital appropriations received	19,739,167	18,061,072
Proceeds of new bond issuance	-	29,487
Repayments of capital debt and leases	(18,976,344)	(19,133,396)
Net cash used in capital and related financing activities	<u>(29,384,972)</u>	<u>(27,394,920)</u>
Net increase in cash and cash equivalents	42,695,808	12,911,465
Cash and cash equivalents, beginning of year	232,777,333	219,865,868
Cash and cash equivalents, end of year	<u>\$ 275,473,141</u>	<u>\$ 232,777,333</u>

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

Connecticut State University System
Combined Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (227,154,653)	\$ (265,765,014)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	49,457,534	49,989,291
Bad debt write-offs (recoveries)	(140,540)	93,118
Amortization	380,984	385,525
Changes in assets and liabilities:		
Receivables	(9,575,086)	(16,251,107)
Prepaid expenses and other	(728,754)	(268,007)
Accounts payable	(493,858)	2,442,137
Accrued salaries	(1,278,194)	2,986,263
Other liabilities	(683,561)	6,009,126
Due to/from the State of Connecticut	(16,625)	304,944
Deferred revenues	13,382,023	12,264,205
Deferred compensation	126,073	70,813
Deposit accounts	(167,838)	(194,843)
Accrued bond interest payable	(112,659)	(75,184)
Accrued compensated absences	2,103,408	(1,344,335)
Net cash used in operating activities	<u>\$ (174,901,746)</u>	<u>\$ (209,353,068)</u>
Noncash financing activity		
Fixed assets acquired by incurring capital lease obligations	\$ -	\$ 55,789
Fixed assets included in accounts payable	2,339,016	5,999,804
State financed plant facilities	\$ 4,990,231	\$ 49,536,740
Reconciliation of cash and cash equivalents to the combined statements of net assets		
Cash and cash equivalents classified as current assets	\$ 170,121,297	\$ 127,199,289
Cash and cash equivalents classified as noncurrent assets	<u>105,351,844</u>	<u>105,578,044</u>
	<u>\$ 275,473,141</u>	<u>\$ 232,777,333</u>

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

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2010 and 2009

1. Summary of Significant Accounting Policies

Organization

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

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

Basis of Presentation

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

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

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

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

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2010 and 2009

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

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

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

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

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

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

The Foundations are private nonprofit organizations that report under FASB standards, 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.

Affiliated alumni associations with unaudited total net assets of approximately \$.9 million and \$1.0 million at June 30, 2010 and 2009, respectively, have not been included as component units of the Universities.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2010 and 2009

Net Assets

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

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

Classification of Assets and Liabilities

CSUS presents short-term and long-term assets and liabilities in the statement of net assets. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30, 2010 and 2009. 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, 2010 and 2009. Cash and cash equivalents and investments presented as short-term in the statement of net assets include balances with a maturity of one year or less from June 30, 2010 and 2009. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2010 and 2009 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, 2010 and 2009. Long-term liabilities include balances that are expected to be paid after one year from June 30, 2010 and 2009.

Fair Value of Financial Instruments

Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits. The fair value of bonds payable is estimated using discounted cash flow analyses, based on current borrowing rates for similar types of borrowing arrangements and approximate carrying value at June 30, 2010 and 2009.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2010 and 2009

Cash, Cash Equivalents and Investments

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

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

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

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

Indirect Cost Recoveries

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

Inventories

The Universities' inventories of \$1,011,878 and \$915,333 at June 30, 2010 and 2009, respectively, consist primarily of supplies for plumbing, maintenance, auto, carpentry, electrical and custodial, and are valued at cost. Inventories are included in prepaid expenses and other current assets in the statement of net assets.

Investment in Plant

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

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

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Department of Public Works ("DPW") of the State of Connecticut. When the project is complete and/or when title passes from DPW to CSUS, the entire cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Universities. Amounts recognized for such projects were \$5.0 million and \$49.5 million for the years ended June 30, 2010 and 2009, respectively.

Connecticut State University System

Notes to Combined Financial Statements

June 30, 2010 and 2009

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

Deferred Bond Loan Costs

Costs incurred with the issuance of bonds were capitalized and are being amortized by the interest method over the loan term. Amortization expenses for the years ended June 30, 2010 and 2009 were \$242,785 and \$276,496, respectively.

Interest Capitalization

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of \$11.7 million and \$11.1 million for the fiscal years ended June 30, 2010 and 2009, respectively. Interest capitalized for the fiscal years ended June 30, 2010 and 2009, totaled \$.6 million. The cumulative capitalized interest was \$9.0 million and \$8.4 million as of June 30, 2010 and 2009, respectively. The capitalized interest is being amortized over 35 years. Amortization expense for the years ended June 30, 2010 and 2009 was \$.3 million and \$.2 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 \$ 29.6 million and \$29.8 million as of June 30, 2010 and 2009, 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, 2010 and 2009, 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).

Connecticut Public Act 09-7 was signed into law by the Governor during fiscal year 2010 and included a requirement that a total of \$15 million (\$2 million in fiscal year 2010 and \$13 million in fiscal year 2011) be transferred from the CSUS operating reserves to the State of Connecticut's General Fund. This is a mandatory legal requirement as of June 30, 2010; therefore, CSUS has recorded a liability to the State of Connecticut for the amount that will be transferred in fiscal year 2011.

Deferred Revenues

Deferred revenues consist primarily of tuition and fees that have been billed or collected at June 30, 2010 and 2009, but applicable to the 2010 or 2009 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.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

Income Tax Status

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at June 30, 2010 and 2009 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.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents includes approximately \$75.2 million and \$82.4 million at June 30, 2010 and 2009, 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, 2010 and 2009 were .21% and .49%, respectively. CSUS operating funds held by the State that participated in the aforementioned program were \$188.6 million and \$145.5 million at June 30, 2010 and 2009, respectively.

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

	2010		2009	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 275,473,141	\$ 275,473,141	\$ 232,777,333	\$ 232,777,333
U.S. Mutual Funds- Governmental	23,338,180	23,338,180	23,905,764	23,905,764
Guaranteed Investment Contracts	15,494,493	15,494,493	15,692,741	15,692,741
U.S. Treasury Notes	645,896	632,891	574,608	582,333
	<u>\$ 314,951,710</u>	<u>\$ 314,938,705</u>	<u>\$ 272,950,446</u>	<u>\$ 272,958,171</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

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

	2010		2009	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 4,919,149	\$ 4,919,149	\$ 7,566,624	\$ 7,566,624
Investments	60,266,723	56,178,959	53,000,577	44,465,058
	<u>\$ 65,185,872</u>	<u>\$ 61,098,108</u>	<u>\$ 60,567,201</u>	<u>\$ 52,031,682</u>

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

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

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSUS is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSUS’s guaranteed investment contracts was AA+, as rated by Standard & Poor’s Ratings as of June 30, 2010.

Custodial Credit Risk – At June 30, 2010 and 2009, the carrying amount of CSUS’s bank deposits was \$1.6 million and \$.2 million, respectively, as compared to bank balances of \$4.6 million and \$1.3 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, \$.5 million and \$.8 million at June 30, 2010 and June 30, 2009, respectively, are covered by federal deposit insurance. The remaining balances of \$4.1 million at June 30, 2010 and \$.5 million at June 30, 2009 are uninsured and uncollateralized and therefore subject to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. 87% 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, 2010 compared to 85% at the end of fiscal year 2009.

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.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

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

Debt Securities	Investment Maturities (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	\$ 23,338,180	\$ 23,338,180	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	15,494,493	-	-	-	15,494,493
U.S. Treasury Notes	632,891	632,891	-	-	-
	<u>\$ 39,465,564</u>	<u>\$ 23,971,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,494,493</u>

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

3. Receivables

Accounts receivable consisted of the following at June 30:

	2010	2009
Student accounts receivable	\$ 170,894,634	\$ 161,175,896
Student loans receivable	13,945,796	13,995,211
Grants receivable	2,623,264	2,199,771
Miscellaneous receivables	1,798,303	1,738,610
	<u>189,261,997</u>	<u>179,109,488</u>
Less allowance for doubtful accounts	<u>(9,035,948)</u>	<u>(8,599,065)</u>
Net accounts receivable	<u>\$ 180,226,049</u>	<u>\$ 170,510,423</u>

Student accounts receivable above include \$157,798,883 and \$147,618,040 representing amounts included in deferred revenue at June 30, 2010 and 2009, respectively.

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

	2010	2009
Contributions and other receivables	\$ 782,350	\$ 587,842
State matching contribution	-	4,792
Total contributions and other receivables	<u>\$ 782,350</u>	<u>\$ 592,634</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

4. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the “Program”) comprise substantially all of the loans receivable at June 30, 2010 and 2009. 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, 2010 and 2009, the allowance for uncollectible loans was \$2,727,528 and \$2,744,809, respectively.

5. Due from the State of Connecticut

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

	2010	2009
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	\$ 29,719,429	\$ 30,004,797
State appropriations for capital projects	13,974,126	21,738,877
	<u>\$ 43,693,555</u>	<u>\$ 51,743,674</u>

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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

6. Investment in Plant

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

	Balance June 30, 2009	Year ended June 30, 2010		Balance June 30, 2010
		Additions	Retirements and Transfers	
Capital assets not being depreciated:				
Land	\$ 18,424,572	\$ -	\$ (816)	\$ 18,423,756
Capitalized collections	7,200,918	282,544	(125)	7,483,337
Construction in progress	15,884,659	4,828,194	(6,427,110)	14,285,743
Total capital assets not being depreciated	<u>\$ 41,510,149</u>	<u>\$ 5,110,738</u>	<u>\$ (6,428,051)</u>	<u>\$ 40,192,836</u>
Other capital assets:				
Land improvements	\$ 76,577,933	\$ 4,862,018	\$ (35,240)	\$ 81,404,711
Buildings and building improvements	1,070,368,230	16,299,422	(1,579,228)	1,085,088,424
Furniture, fixtures and equipment	132,535,260	9,888,327	(8,205,972)	134,217,615
Library materials	48,483,446	3,404,989	(593,036)	51,295,399
Total other capital assets	<u>1,327,964,869</u>	<u>34,454,756</u>	<u>(10,413,476)</u>	<u>1,352,006,149</u>
Less accumulated depreciation for:				
Land improvements	(35,127,352)	(3,764,258)	1,003	(38,890,607)
Buildings and building improvements	(364,783,274)	(30,705,832)	822,710	(394,666,396)
Furniture, fixtures and equipment	(80,395,892)	(11,557,123)	7,277,642	(84,675,373)
Library materials	(24,183,291)	(3,430,321)	593,036	(27,020,576)
Total accumulated depreciation	<u>(504,489,809)</u>	<u>(49,457,534)</u>	<u>8,694,391</u>	<u>(545,252,952)</u>
Other capital assets, net	<u>\$ 823,475,060</u>	<u>\$ (15,002,778)</u>	<u>\$ (1,719,085)</u>	<u>\$ 806,753,197</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 41,510,149	\$ 5,110,738	\$ (6,428,051)	\$ 40,192,836
Other capital assets, at cost	1,327,964,869	34,454,756	(10,413,476)	1,352,006,149
Total cost of capital assets	1,369,475,018	39,565,494	(16,841,527)	1,392,198,985
Less accumulated depreciation	<u>(504,489,809)</u>	<u>(49,457,534)</u>	<u>8,694,391</u>	<u>(545,252,952)</u>
Capital assets, net	<u>\$ 864,985,209</u>	<u>\$ (9,892,040)</u>	<u>\$ (8,147,136)</u>	<u>\$ 846,946,033</u>
Component Units				
Total cost of capital assets	\$ 4,296,822	\$ 598,225	\$ (96,138)	\$ 4,798,909
Less accumulated depreciation	<u>(495,639)</u>	<u>(115,491)</u>	<u>-</u>	<u>(611,130)</u>
Capital assets, net	<u>\$ 3,801,183</u>	<u>\$ 482,734</u>	<u>\$ (96,138)</u>	<u>\$ 4,187,779</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

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

7. Accrued Compensated Absences

Accrued compensated absences as of June 30, include:

	2010	2009
Accrued vacation	\$ 21,299,021	\$ 19,889,472
Accrued sick leave	6,066,195	5,751,813
Other accrued fringe benefits	6,700,122	6,320,644
	34,065,338	31,961,929
Less: current portion	1,961,364	1,887,145
Noncurrent portion	\$ 32,103,974	\$ 30,074,784

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

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

Balance as of June 30, 2008	\$ 33,306,264
Additions in 2009	1,616,989
Retirements in 2009	<u>(2,961,324)</u>
Balance as of June 30, 2009	31,961,929
Additions in 2010	3,017,805
Retirements in 2010	<u>(914,396)</u>
Balance as of June 30, 2010	<u>\$ 34,065,338</u>

These accruals represent estimated amounts earned by all eligible employees through June 30, 2010 and 2009. These accrued compensated absences will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of CSUS.

In May 2009, the State of Connecticut offered employees meeting certain criteria, a Retirement Incentive Plan (“RIP”). For those employees opting to accept the RIP, their accrued compensation for vacation and sick time in addition to incentive allocations were reclassified to a separate liability. Those amounts are to be paid out annually in equal installments over a three year period starting July 2012. The total amount of RIP liability was approximately \$6.3 million at both June 30, 2010 and June 30, 2009. The liability at June 30, 2010 and June 30, 2009 was all noncurrent and was included in other liabilities on the statements of net assets.

8. Bonds, Notes Payable and Capital Lease Obligations

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

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

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

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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

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

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

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

Issue Date	Type	2010	2009
March 1993	Original	\$ 930,000	\$ 1,395,000
October 1993	Refunded	1,484,496	1,484,496
March 1994	Original	-	385
June 2001	Refunded	2,484,083	3,432,696
November 2001	Refunded	1,651,779	1,651,779
June 2002	Refunded	-	416,757
August 2002	Refunded	776,355	776,355
December 2003	Refunded	1,507,762	3,031,221
April 2005	Refunded	422,547	422,547
December 2007	Refunded	4,594,451	5,790,434
March 2009	Refunded	-	195,205
		<u>\$ 13,851,473</u>	<u>\$ 18,596,875</u>

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

Year	Principal	Interest
2011	3,956,511	736,069
2012	3,605,892	505,298
2013	1,974,402	316,867
2014	1,572,030	201,202
2015	1,541,137	122,578
2016-2017	1,201,501	64,914
	<u>\$ 13,851,473</u>	<u>\$ 1,946,928</u>

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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

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

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

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

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

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

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

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

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

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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the defeasance, CSUS will reduce its aggregate debt service payments by approximately \$4.6 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of approximately \$2.4 million.

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

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

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

	2010	2009
CHEFA Revenue Bonds Series B	\$ 1,860,000	\$ 1,860,000
CHEFA Revenue Bonds Series C	-	1,160,000
CHEFA Revenue Bonds Series D	7,690,000	11,535,000
CHEFA Revenue Bonds Series E	71,450,000	74,800,000
CHEFA Revenue Bonds Series F	35,125,000	39,265,000
CHEFA Revenue Bonds Series G	35,565,000	37,160,000
CHEFA Revenue Bonds Series H	48,330,000	48,340,000
CHEFA Revenue Bonds Series I	62,600,000	62,680,000
	<u>\$ 262,620,000</u>	<u>\$ 276,800,000</u>

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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

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
2011	14,320,000	11,164,294
2012	14,405,000	10,569,869
2013	14,390,000	9,921,654
2014	14,555,000	9,284,484
2015	14,840,000	8,616,743
2016-2020	66,150,000	33,302,391
2021-2025	52,620,000	19,607,744
2026-2030	36,365,000	10,359,631
2031-2035	33,910,000	2,681,013
2036	1,065,000	21,300
	<u>\$ 262,620,000</u>	<u>\$ 115,529,123</u>

Long-term liability activity for the years ended June 30, 2010 and 2009 was as follows:

	Year Ended June 30, 2010			
	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Bonds payable	\$ 295,396,875	\$ -	\$ (18,925,402)	\$ 276,471,473
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	1,514,349	-	(320,632)	1,193,717
Total bonds payable	296,911,224	-	(19,246,034)	277,665,190
Capital lease obligations	39,851	-	(21,214)	18,637
Deferred compensation	272,353	126,074	-	398,427
Total	<u>\$ 297,223,428</u>	<u>\$ 126,074</u>	<u>\$ (19,267,248)</u>	<u>\$ 278,082,254</u>

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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

Notes Payable for the Component Units, consist of two notes. There is an unsecured note with an original loan balance of \$119,000, bearing interest at 5.99% payable in monthly installments of \$518 including principal and interest with a maturity date of March 2015. Extra principal payments totaling \$45,000 were made in previous years and the \$10,058 loan balance at June 30, 2010 was paid in full during July 2010. The second note with a \$10,806 balance at June 30, 2010 bears interest at 5.39% which is payable in monthly installments of \$858, with a maturity date of August 2011. The principal payments on the two notes including the \$10,058 loan payoff are due as follows:

Year	Principal
2011	\$ 19,160
2012	1,704
	<u>\$ 20,864</u>

Notes payable activity for the years ended June 30, 2010 and 2009 was as follows:

	<u>Year Ended June 30, 2010</u>			
	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Notes payable	\$ 49,309	\$ -	\$ (28,445)	\$ 20,864

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

9. Deferred Revenue

Deferred revenue consists of the following at June 30, 2010 and 2009:

	2010	2009
Unearned tuition and fees	\$ 180,423,244	\$ 167,881,664
Grants and contracts	2,394,726	1,867,170
Other	429,462	116,575
	<u>\$ 183,247,432</u>	<u>\$ 169,865,409</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

10. Pension Plans and Other Post Employment Benefits

Plan Description

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

Employees hired before July 1, 1984 participate in the old (Tier 1) Plan, which includes employee contributions; other employees may participate in the Tier II or Tier IIA Plans. As of June 30, 2010, approximately twenty-eight percent (28%) of the CSUS workforce was covered under the Tier II or Tier II A Plans. CSUS makes contributions on behalf of the employees through a fringe benefit charge assessed by the State of Connecticut.

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

Funding Policy

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

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

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

Because of the cost-sharing arrangements CSUS has with other State departments and agencies, one actuarial valuation is performed for the State of Connecticut. As a result, the following information is not separately available for CSUS. Additionally, the information for fiscal year 2010 is not available as of the issue date of CSUS's financial statements and, therefore, the following information is as of June 30, 2009.

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

The State's annual pension cost and net pension obligation for SERS as of June 30, 2009 are as follows (in thousands):

Annual required contribution	\$ 753,698
Interest on net pension obligation	203,745
Adjustment to annual required contribution	<u>(146,667)</u>
Annual pension cost	810,776
Contributions made	<u>699,770</u>
Increase in net pension obligation	111,006
Net pension obligation, beginning of year	<u>2,396,999</u>
Net pension obligation, end of year	<u>\$ 2,508,005</u>

Three year trend information (in thousands):

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
2007	725,009	91.6 %	2,332,327
2008	776,227	91.7 %	2,396,999
2009	810,776	86.3 %	2,508,005

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

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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

Required Supplementary Information (in millions):

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded ratio	(c) Covered payroll	(b-a)/c UAAL as a percentage of covered payroll
6/30/04	8,238.3	15,128.5	6,890.2	54.5%	2,816.7	244.6%
6/30/05	8,517.7	15,987.5	7,469.8	53.3%	2,980.1	250.7%
6/30/06	8,951.4	16,830.3	7,878.9	53.2%	3,107.9	253.5%
6/30/07	9,585.1	17,888.1	8,303.0	53.6%	3,310.4	250.8%
6/30/08	9,990.2	19,243.4	9,253.2	51.9%	3,497.4	264.6%
6/30/09 *	-	-	-	-	-	-

*An actuarial valuation was not performed for the fiscal year ended June 30, 2009.

Other Post Employment Benefits

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

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

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

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

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

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, 2010 and 2009. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net asset balances at June 30, 2010 and 2009 were as follows:

	2010	2009
System Office	\$ 1,060,800	\$ 665,607
Central Connecticut State University	5,302,504	9,201,702
Eastern Connecticut State University	3,701,610	2,926,147
Southern Connecticut State University	1,935,458	2,973,399
Western Connecticut State University	4,311,481	2,152,683
	<u>\$ 16,311,853</u>	<u>\$ 17,919,538</u>

12. Intra-University and Related Party Activities

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

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

	2010	2009
Cash balances held with the State of Connecticut on behalf of the universities (excluding STIF)	\$ 198,659,799	\$ 150,137,083
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	<u>75,171,311</u>	<u>82,424,913</u>
	<u>\$ 273,831,110</u>	<u>\$ 232,561,996</u>

Connecticut State University System
Notes to Combined Financial Statements
June 30, 2010 and 2009

13. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

	Year ended June 30, 2010								
	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	\$ 35,849,484	\$ 2,620,305	\$ 1,256,532	\$ 1,224,477	\$ 505,663	\$ 2,716,219	\$ -	\$ -	\$ 44,172,680
Auxiliary enterprises	12,375,520	11,195,113	21,449,776	26,566	9,897,529	3,300,816	-	-	58,245,320
Institution support	68,949,474	6,076,566	741,555	477,711	2,984,032	8,335,556	-	-	87,564,894
Instruction	181,449,488	1,314,764	1,202,208	514,530	392,758	2,206,355	-	-	187,080,103
Physical plant	32,532,612	1,752,869	22,593	18,013	49,390,681	1,857,259	49,456,550	380,984	135,411,561
Public service	5,905,515	1,439,590	766,198	1,097,364	477,734	690,769	-	-	10,377,170
Research	2,115,845	360,130	785,905	284,423	70,810	372,911	-	-	3,990,024
Scholarships, loans and refunds	689,782	167,588	55,897,418	8,833	432	155,870	-	-	56,919,923
Student services	47,548,272	1,783,421	1,271,221	1,643,008	904,598	3,260,181	984	-	56,411,685
Total expenses	\$ 387,415,992	\$ 26,710,346	\$ 83,393,406	\$ 5,294,925	\$ 64,624,237	\$ 22,895,936	\$ 49,457,534	\$ 380,984	\$ 640,173,360

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

Connecticut State University System
Supplemental Financial Information
June 30, 2010 and 2009

	Page
Combining Statements of Net Assets	S-2
Combining Statements of Revenues, Expenses and Changes in Net Assets	S-4
Combining Statements of Cash Flows	S-6

Connecticut State University System
Combining Statements of Net Assets
June 30, 2010 with Comparative Totals as of June 30, 2009

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2010	2009
Assets								
Current assets:								
Cash and cash equivalents	\$ 60,054,595	\$ 9,765,112	\$ 57,134,538	\$ 28,413,042	\$ 14,754,010	\$ -	\$ 170,121,297	\$ 127,199,289
Investments	-	-	-	-	13,705,194	-	13,705,194	13,518,894
Student receivables	48,973,370	39,241,152	50,012,948	32,667,164	-	-	170,894,634	161,175,896
Allowance-doubtful student receivables	(945,050)	(2,189,446)	(1,255,192)	(1,774,535)	-	-	(6,164,223)	(5,712,423)
Student receivables, net	48,028,320	37,051,706	48,757,756	30,892,629	-	-	164,730,411	155,463,473
Student loans receivable	688,981	73,465	639,075	118,817	-	-	1,520,338	1,916,738
Grant receivables, net	654,655	576,905	1,021,362	226,145	-	-	2,479,067	2,057,938
Miscellaneous receivables, net	912,245	413,139	235,364	58,983	178,572	-	1,798,303	1,738,610
Due from the State of Connecticut	11,653,427	9,121,039	12,252,255	8,558,583	2,108,251	-	43,693,555	51,743,674
Due from SO and Universities	-	6,880	-	-	563,899	(570,779)	-	-
Prepaid expenses and other current assets	1,627,299	169,858	528,973	225,031	604,829	-	3,155,990	1,932,254
Total current assets	123,619,522	57,178,104	120,569,323	68,493,230	31,914,755	(570,779)	401,204,155	355,570,870
Noncurrent assets:								
Cash and cash equivalents	21,655,437	1,221,807	15,303,708	7,361,959	59,808,933	-	105,351,844	105,578,044
Investments	-	-	-	-	25,760,370	-	25,760,370	26,661,944
Due from SO and Universities	3,274,720	-	-	-	-	(3,274,720)	-	-
Student loans receivable	4,020,470	1,776,195	4,526,174	2,102,619	-	-	12,425,458	12,078,473
Allowance-doubtful loan receivables	(718,611)	(394,750)	(1,204,453)	(409,714)	-	-	(2,727,528)	(2,744,809)
Loans receivable, net	3,301,859	1,381,445	3,321,721	1,692,905	-	-	9,697,930	9,333,664
Other assets	-	6,115	115,406	141,141	1,647,539	-	1,910,201	2,727,287
Investment in plant	351,349,366	337,374,921	386,012,664	282,357,459	27,323,852	7,780,723	1,392,198,985	1,369,475,018
Accumulated depreciation	(155,438,269)	(105,909,104)	(163,172,488)	(100,647,388)	(20,085,703)	-	(545,252,952)	(504,489,809)
Investment in plant, net of accumulated depreciation	195,911,097	231,465,817	222,840,176	181,710,071	7,238,149	7,780,723	846,946,033	864,985,209
Total noncurrent assets	224,143,113	234,075,184	241,581,011	190,906,076	94,454,991	4,506,003	989,666,378	1,009,286,148
Total assets	\$ 347,762,635	\$ 291,253,288	\$ 362,150,334	\$ 259,399,306	\$ 126,369,746	\$ 3,935,224	\$ 1,390,870,533	\$ 1,364,857,018

Connecticut State University System
Combining Statements of Net Assets
June 30, 2010 with Comparative Totals as of June 30, 2009

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2010	2009
Liabilities								
Current liabilities:								
Accounts payable	\$ 3,133,584	\$ 1,532,266	\$ 3,526,968	\$ 1,408,568	\$ 391,833	\$ -	\$ 9,993,219	\$ 14,198,808
Accrued salaries and benefits	16,883,329	7,675,927	16,155,344	7,765,953	819,677	-	49,300,230	50,578,423
Accrued compensated absences	509,902	469,797	505,767	348,218	127,680	-	1,961,364	1,887,145
Due to the State of Connecticut	4,210,196	3,201,180	4,154,056	3,416,632	1,235,807	-	16,217,871	3,234,495
Due to SO and Universities	174,047	119,613	190,554	86,565	-	(570,779)	-	-
Deferred revenue	56,676,803	35,671,263	57,214,519	33,216,093	468,754	-	183,247,432	169,865,409
Bonds payable	-	-	-	-	18,523,915	-	18,523,915	19,244,035
Accrued bond interest payable	-	-	-	-	1,916,610	-	1,916,610	2,029,269
Capital lease obligation	-	-	6,424	-	-	-	6,424	21,214
Other liabilities	792,602	67,384	1,765,519	451,215	207,968	-	3,284,688	3,243,682
Depository accounts	991,398	794,166	1,124,204	668,309	386	-	3,578,463	3,746,301
Total current liabilities	<u>83,371,861</u>	<u>49,531,596</u>	<u>84,643,355</u>	<u>47,361,553</u>	<u>23,692,630</u>	<u>(570,779)</u>	<u>288,030,216</u>	<u>268,048,781</u>
Noncurrent liabilities:								
Accrued compensated absences	9,704,878	5,772,967	9,149,248	5,590,675	1,886,206	-	32,103,974	30,074,784
Bonds payable	-	-	-	-	259,141,275	-	259,141,275	277,667,189
Due to SO and Universities	-	-	-	-	3,274,720	(3,274,720)	-	-
Federal loan program advances	3,136,752	1,459,188	3,549,051	1,632,106	-	-	9,777,097	9,777,097
Deferred compensation	-	-	-	-	398,427	-	398,427	272,353
Other liabilities	2,468,888	460,390	2,594,337	740,927	31,823	-	6,296,365	6,635,440
Capital lease obligation	-	-	12,213	-	-	-	12,213	18,637
Total noncurrent liabilities	<u>15,310,518</u>	<u>7,692,545</u>	<u>15,304,849</u>	<u>7,963,708</u>	<u>264,732,451</u>	<u>(3,274,720)</u>	<u>307,729,351</u>	<u>324,445,500</u>
Total liabilities	<u>98,682,379</u>	<u>57,224,141</u>	<u>99,948,204</u>	<u>55,325,261</u>	<u>288,425,081</u>	<u>(3,845,499)</u>	<u>595,759,567</u>	<u>592,494,281</u>
Net Assets								
Invested in capital assets, net of related debt	195,849,539	231,410,296	222,821,539	181,710,071	(174,863,601)	7,780,723	664,708,567	664,566,915
Restricted:								
Nonexpendable	-	60,000	407,496	407,116	-	-	874,612	991,542
Expendable	4,802,579	3,679,707	16,505,764	3,417,002	192,411	-	28,597,463	33,340,678
Unrestricted	<u>48,428,138</u>	<u>(1,120,856)</u>	<u>22,467,331</u>	<u>18,539,856</u>	<u>12,615,855</u>	<u>-</u>	<u>100,930,324</u>	<u>73,463,602</u>
Total net assets	<u>249,080,256</u>	<u>234,029,147</u>	<u>262,202,130</u>	<u>204,074,045</u>	<u>(162,055,335)</u>	<u>7,780,723</u>	<u>795,110,966</u>	<u>772,362,737</u>
Total liabilities and net assets	<u>\$ 347,762,635</u>	<u>\$ 291,253,288</u>	<u>\$ 362,150,334</u>	<u>\$ 259,399,306</u>	<u>\$ 126,369,746</u>	<u>\$ 3,935,224</u>	<u>\$ 1,390,870,533</u>	<u>\$ 1,364,857,018</u>

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010 with Comparative Balances for the Year Ended June 30, 2009

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2010	2009
Operating revenues:								
Tuition and fees:								
Tuition and fees, gross	\$ 89,315,484	\$ 40,436,687	\$ 92,338,277	\$ 47,695,026	\$ 5,462,801	\$ -	\$ 275,248,275	\$ 250,744,057
Less:								
Scholarships allowance	6,281,371	3,955,649	7,659,707	3,231,214	-	-	21,127,941	17,977,595
Waivers	3,566,562	2,338,592	3,053,284	1,462,156	-	-	10,420,594	10,705,400
Debt service fee	7,938,704	4,314,257	8,023,991	4,820,144	(24,696,177)	(400,919)	-	-
Tuition and fees, net of scholarship allowances and waivers	71,528,847	29,828,189	73,601,295	38,181,512	30,158,978	400,919	243,699,740	222,061,062
Federal grants and contracts	18,773,582	6,478,461	11,095,770	5,332,454	80,338	-	41,760,605	33,895,760
State and local grants and contracts	5,893,371	2,144,724	5,657,874	2,329,391	-	-	16,025,360	16,072,925
Nongovernment grants and contracts	840,920	424,490	1,442,104	-	-	-	2,707,514	3,044,237
Indirect cost recoveries	428,438	453,805	225,135	200	-	-	1,107,578	1,180,188
Auxiliary revenues	23,831,051	24,113,437	23,013,842	16,034,882	4,252,292	-	91,245,504	84,850,753
Other operating revenues	2,988,103	1,921,210	3,956,892	1,598,505	8,416,979	(2,409,283)	16,472,406	12,526,539
Total operating revenues	124,284,312	65,364,316	118,992,912	63,476,944	42,908,587	(2,008,364)	413,018,707	373,631,464
Operating expenses:								
Personnel service and fringe benefits	117,590,246	71,406,294	119,908,115	68,635,320	9,876,017	-	387,415,992	402,336,398
Professional services and fees	7,659,387	3,720,212	8,578,889	5,297,045	1,454,813	-	26,710,346	24,749,586
Educational services and support	31,610,473	12,715,966	25,374,001	13,689,488	3,478	-	83,393,406	71,351,004
Travel expenses	2,478,869	717,010	1,353,522	689,211	56,313	-	5,294,925	5,938,536
Operation of facilities	20,784,300	8,625,259	12,457,705	8,849,629	16,667,182	(2,759,838)	64,624,237	60,709,470
Other operating supplies and expenses	5,179,730	3,743,004	6,684,927	4,117,845	2,769,511	400,919	22,895,936	23,936,668
Depreciation expense	13,108,618	11,314,435	14,043,730	9,208,111	1,782,640	-	49,457,534	49,989,291
Amortization expense	-	40,380	46,527	44,017	250,060	-	380,984	385,525
Total operating expenses	198,411,623	112,282,560	188,447,416	110,530,666	32,860,014	(2,358,919)	640,173,360	639,396,478
Operating income (loss)	\$ (74,127,311)	\$ (46,918,244)	\$ (69,454,504)	\$ (47,053,722)	\$ 10,048,573	\$ 350,555	\$ (227,154,653)	\$ (265,765,014)

Connecticut State University System
Combining Statements of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010 with Comparative Balances for the Year Ended June 30, 2009

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2010	2009
Nonoperating revenues (expenses)								
State appropriations	\$ 72,786,361	\$ 43,556,160	\$ 71,414,341	\$ 45,119,024	\$ 9,178,835	\$ -	\$ 242,054,721	\$ 238,314,646
Gifts	632,807	13,549	192,595	146,095	-	-	985,046	701,997
Investment income	267,511	45,854	219,832	112,701	916,528	-	1,562,426	4,533,133
State financed plant facilities	2,190,231	2,800,000	-	-	-	-	4,990,231	49,536,740
Other nonoperating revenues	393,709	423,851	1,093,905	646,275	-	-	2,557,740	2,552,617
Transfers to the State of Connecticut	(4,409,197)	(2,303,960)	(4,398,959)	(2,462,936)	(1,424,948)	-	(15,000,000)	-
	<u>71,861,422</u>	<u>44,535,454</u>	<u>68,521,714</u>	<u>43,561,159</u>	<u>8,670,415</u>	<u>-</u>	<u>237,150,164</u>	<u>295,639,133</u>
Net nonoperating revenues								
Increase (decrease) in net assets before other revenues, expenses, gains and losses	(2,265,889)	(2,382,790)	(932,790)	(3,492,563)	18,718,988	350,555	9,995,511	29,874,119
State appropriations restricted for capital purposes	<u>3,868,970</u>	<u>5,054,587</u>	<u>1,464,582</u>	<u>2,386,192</u>	<u>(21,613)</u>	<u>-</u>	<u>12,752,718</u>	<u>10,097,763</u>
Net increase (decrease) in net assets	1,603,081	2,671,797	531,792	(1,106,371)	18,697,375	350,555	22,748,229	39,971,882
Net assets:								
Net assets - beginning of year	<u>247,477,175</u>	<u>231,357,350</u>	<u>261,670,338</u>	<u>205,180,416</u>	<u>(180,752,710)</u>	<u>7,430,168</u>	<u>772,362,737</u>	<u>732,390,855</u>
Net assets - end of year	<u>\$ 249,080,256</u>	<u>\$ 234,029,147</u>	<u>\$ 262,202,130</u>	<u>\$ 204,074,045</u>	<u>\$ (162,055,335)</u>	<u>\$ 7,780,723</u>	<u>\$ 795,110,966</u>	<u>\$ 772,362,737</u>

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2010 with Comparative Totals as of June 30, 2009

	CCSU	ECSU	SCSU	WCUSU	SO	Combining Adjustments	2010	2009
Cash flows from operating activities:								
Tuition and fees	\$ 72,646,840	\$ 41,335,606	\$ 74,899,111	\$ 38,971,904	\$ 5,355,452	\$ 400,919	\$ 233,609,832	\$ 196,681,979
Grants and contracts	25,554,856	8,870,130	18,024,934	7,712,539	80,338	-	60,242,797	52,303,193
Auxiliary revenues	23,599,170	12,710,671	22,703,893	15,402,883	4,252,292	-	78,668,909	82,907,991
Other operating revenues	3,724,965	2,799,148	3,926,928	2,461,965	8,885,733	(2,409,283)	19,389,456	14,417,000
Payments to employees for salaries and benefits	(117,621,043)	(70,878,264)	(119,972,568)	(68,172,541)	(9,769,598)	-	(386,414,014)	(394,860,236)
Payments to suppliers	(2,426,754)	(1,236,828)	(1,540,683)	(1,984,231)	(278,582)	-	(7,467,078)	(7,713,972)
Professional services and fees	(7,722,592)	(3,673,471)	(8,489,667)	(5,252,949)	(1,454,815)	-	(26,593,494)	(24,652,889)
Educational services and support	(31,794,198)	(12,715,966)	(25,374,003)	(13,689,488)	(3,478)	-	(83,577,133)	(71,228,620)
Travel expenses	(2,459,334)	(717,010)	(1,353,523)	(689,211)	(56,313)	-	(5,275,391)	(6,089,384)
Operation of facilities	(22,372,941)	(8,633,889)	(12,457,704)	(8,919,023)	(16,973,076)	2,759,838	(66,596,795)	(56,157,694)
Other operating supplies and expenses	(2,955,550)	(2,522,778)	(5,068,368)	(1,613,750)	(3,023,647)	(400,919)	(15,585,012)	(18,138,433)
University fee receipts	-	-	-	-	24,696,177	-	24,696,177	23,177,997
Net cash provided by (used in) operating activities	(61,826,581)	(34,662,651)	(54,701,650)	(35,771,902)	11,710,483	350,555	(174,901,746)	(209,353,068)
Cash flows from noncapital financing activities:								
State appropriations	73,108,618	44,186,989	71,585,786	45,030,725	9,101,573	-	243,013,691	240,256,618
Gifts for other than capital purposes	632,807	13,549	192,597	146,095	-	-	985,048	701,997
Nonoperating revenue other	437,356	423,851	1,093,905	646,275	-	-	2,601,387	2,490,461
Nonoperating revenue other - transfer to state	(587,756)	(307,124)	(586,392)	(328,316)	(190,412)	-	(2,000,000)	-
Net cash provided by noncapital financing activities	\$ 73,591,025	\$ 44,317,265	\$ 72,285,896	\$ 45,494,779	\$ 8,911,161	\$ -	\$ 244,600,126	\$ 243,449,076

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2010 with Comparative Totals as of June 30, 2009

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2010	2009
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	-	-	-	-	\$2,409,282	-	\$2,409,282	\$3,039,657
Purchases of investments	-	-	-	-	(1,694,008)	-	(1,694,008)	(1,933,036)
Interest and dividends received on investments	330,196	45,854	261,847	112,701	916,528	-	1,667,126	5,103,756
Net cash provided by investing activities	330,196	45,854	261,847	112,701	1,631,802	-	2,382,400	6,210,377
Cash flows from capital and related financing activities:								
Cash paid for capital assets	(11,449,465)	(6,631,323)	(8,068,835)	(3,295,460)	(352,157)	(350,555)	(30,147,795)	(26,352,083)
State capital appropriations received	7,614,153	5,054,586	4,171,337	2,815,892	83,199	-	19,739,167	18,061,072
Proceeds of new bond issuance	-	-	-	-	-	-	-	29,487
Repayments of capital debt and leases	-	-	-	-	(18,976,344)	-	(18,976,344)	(19,133,396)
Net cash used in capital and related financing financing activities	(3,835,312)	(1,576,737)	(3,897,498)	(479,568)	(19,245,302)	(350,555)	(29,384,972)	(27,394,920)
Net increase in cash and cash equivalents	8,259,328	8,123,731	13,948,595	9,356,010	3,008,144	-	42,695,808	12,911,465
Cash and cash equivalents, beginning of year	73,450,704	2,863,188	58,489,651	26,418,991	71,554,799	-	232,777,333	219,865,868
Cash and cash equivalents, end of year	\$ 81,710,032	\$ 10,986,919	\$ 72,438,246	\$ 35,775,001	\$ 74,562,943	\$ -	\$ 275,473,141	\$ 232,777,333

Connecticut State University System
Combining Statements of Cash Flows
June 30, 2010 with Comparative Totals as of June 30, 2009

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2010	2009
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (74,127,311)	\$ (46,918,244)	\$ (69,454,504)	\$ (47,053,722)	\$ 10,048,573	\$ 350,555	\$ (227,154,653)	\$ (265,765,014)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	13,108,618	11,314,435	14,043,730	9,208,111	1,782,640	-	49,457,534	49,989,291
Bad debt write-offs (recoveries)	(140,540)	-	-	-	-	-	(140,540)	93,118
Amortization	-	40,380	46,527	44,017	250,060	-	380,984	385,525
Changes in assets and liabilities:								
Receivables	(3,143,930)	(2,063,472)	(1,852,793)	(2,426,882)	(88,009)	-	(9,575,086)	(16,251,107)
Prepaid expenses and other	(662,708)	79,622	(121,114)	(69,588)	45,034	-	(728,754)	(268,007)
Accounts payable	(1,143,889)	(82,564)	362,475	208,475	161,645	-	(493,858)	2,442,137
Accrued salaries	(565,363)	(23,495)	(576,852)	(31,795)	(80,689)	-	(1,278,194)	2,986,263
Other liabilities	(286,760)	45,024	(165,485)	290,332	(566,672)	-	(683,561)	6,009,126
Due to/from State of Connecticut	23,628	(26,327)	1,867	(15,994)	201	-	(16,625)	304,944
Due to/from Universities	108,057	144,277	89,222	44,096	(385,652)	-	-	-
Deferred revenues	4,542,268	2,179,744	2,809,897	3,381,360	468,754	-	13,382,023	12,264,205
Deferred compensation	-	-	-	-	126,073	-	126,073	70,813
Deposit accounts	(49,589)	137,432	(395,152)	139,120	351	-	(167,838)	(194,843)
Accrued bond interest payable	-	-	-	-	(112,659)	-	(112,659)	(75,184)
Accrued compensated absences	510,938	510,537	510,532	510,568	60,833	-	2,103,408	(1,344,335)
Net cash provided by (used in) operating activities	\$ (61,826,581)	\$ (34,662,651)	\$ (54,701,650)	\$ (35,771,902)	\$ 11,710,483	\$ 350,555	\$ (174,901,746)	\$ (209,353,068)
Noncash investing, noncapital financing and capital and related financing transactions:								
Fixed assets acquired by incurring capital leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,789
Fixed assets included in accounts payable	\$ 1,112,542	\$ 352,632	\$ 763,874	\$ 104,330	\$ 5,638	\$ -	\$ 2,339,016	\$ 5,999,804
State financed plant facilities	\$ 2,190,231	\$ 2,800,000	\$ -	\$ -	\$ -	\$ -	\$ 4,990,231	\$ 49,536,740
Reconciliation of cash and cash equivalents to the combined statements of net assets:								
Cash and cash equivalents classified as current assets	\$ 60,054,595	\$ 9,765,112	\$ 57,134,538	\$ 28,413,042	\$ 14,754,010	\$ -	\$ 170,121,297	\$ 127,199,289
Cash and cash equivalents classified as noncurrent assets	21,655,437	1,221,807	15,303,708	7,361,959	59,808,933	-	105,351,844	105,578,044
	\$ 81,710,032	\$ 10,986,919	\$ 72,438,246	\$ 35,775,001	\$ 74,562,943	\$ -	\$ 275,473,141	\$ 232,777,333