

# University of Connecticut (Storrs & Regional Campuses)

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## Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2007

### Results of Annual Operations

The enclosed report comparing the Operating and Research Funds actual results to budget for the twelve month period ended June 30, 2007 is prior to close and reflects unaudited figures and is subject to additional accounting year-end and audit adjustments.

The University ended the year with an unrestricted Operating Budget gain of \$8.2 million (Operating Fund \$6.6 million and Research Fund \$1.6 million) and a restricted gain of \$1.4 million (Operating Fund \$0.4 million and Research Fund \$1.0 million). The Operating Fund unrestricted net gain of \$6.6 million includes a \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union and \$3.3 million of the unrestricted net gain represents unspent State appropriation funds for the Center for Entrepreneurship (\$1.3 million) and Eminent Faculty (\$2.0 million) programs. The \$3.3 million in unspent funds will carry forward to Fiscal Year 2008 and be designated for these programs. The remaining net gain of \$2.3 million is the result of a variety of factors including energy savings, scheduling delays in several large Information Technology projects, increased fee revenue, and greater than budgeted savings in the University's vacancy management program (turnover). A summary analysis of the results of operations for various categories of accounts is presented below.

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Total</u>
Unrestricted	\$6.6	\$1.6	\$8.2
Restricted	<u>0.4</u>	<u>1.0</u>	<u>1.4</u>
Total	\$7.0	\$2.6	\$9.6

A more detailed review of FY 2007 operations is presented below.

### Revenues – Operating Fund

Total **Operating Fund** revenue collections for the Fiscal Year 2007 were \$790.7 million which represented 100.7% of the annual budget. A major source of revenue, **State Support** totaling \$305.9 million, consisted of a \$223.0 million appropriation and a fringe benefit allotment of \$82.9 million. State Support represented 38.7% of total Operating Fund receipts for the year. The net state support is a positive variance of \$0.1 million. This represents additional support to cover the second of three payments to retired employees for accrued sick and vacation time under the Early Retirement Incentive Program (ERIP) and additional funding for a settled collective bargaining agreement.

**Tuition** collections were the second largest source of revenue, totaling \$178.0 million, which represented 22.5% of total Operating Fund receipts. Tuition receipts were 99.1% of the annual amount budgeted (\$179.6 million). Tuition revenue collections reflect a 5.9% rate increase coupled with a 1.8% increase in the number of undergraduate degree-seeking students who account for approximately 87% of budgeted tuition revenues.

**Fee** revenue is comprised of course fees from summer session, part-time, and non-degree students as well as self-supporting programs (off campus MBA, EMBA, MS in Accounting,

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etc.). Also included in this category is the General University Fee, which primarily supports four Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. The Fee collections for the year were \$74.7 million or 104.5% of the amount budgeted. This was primarily attributed to greater than budgeted General University Fee and course fee revenue (summer session, MBA, MS in Accounting and EMBA).

**Auxiliary Enterprise Revenue** of \$130.0 million represented 98.2% of the annual budgeted amount. This category is under budget primarily due to a higher than anticipated year-end accounting adjustment. The accounting adjustment is completed to reverse the auxiliary intra-university revenue as well as the corresponding expense. Auxiliary revenue consisted primarily of Room and Board Fees (\$96.7 million) and Athletic Department receipts (\$29.9 million).

The remaining revenue categories are (1) Grants and Contracts (non-research), (2) Investment Income, (3) Sales and Services of Educational Activities, and (4) Other Sources (primarily parking, transit fee, and rental income).

**Gifts, Grants and Contracts** revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. The Fiscal Year 2007 Gifts, Grants and Contracts revenue of \$64.9 million, which included \$22.2 million from the UConn Foundation, was 103.1% of the annual budget. Included in the total is increased revenue due to additional state and federal financial aid support as well as greater than budgeted UConn Foundation revenue.

**Investment Income** exceeded the budget for Fiscal Year 2007 with revenues of \$11.4 million. Interest rates in the State Treasurer's STIF continued to climb with the average rate for Fiscal Year 2007 at 5.40% compared to 4.31% for Fiscal Year 2006. In order to ensure compliance with the new statutory language, Investment Income revenue of approximately \$4.4 million was transferred to Plant Funds to provide partial funding to address certain code violations in keeping with new statutory language.

**Sales and Services of Educational Activities and Other Sources** revenue totaled \$25.8 million and exceeded the budget by \$2.1 million.

### Revenues – Research Fund

With respect to the Research Fund, the granting agency or donor restricts most of the revenues. Research Fund revenues were \$71.8 million and represented 102.4% of the amount budgeted. In Fiscal Year 2006, Research Fund revenues totaled \$70.0 million and represented 86% of the amount budgeted. The Fiscal Year 2007 Research Fund budget was revised in September 2006 to reflect activity more consistent with Fiscal Year 2006 actual results. These changes reflected the changing climate in federal research support.

### Expenditures/Transfers

**Total Operating Fund** expenditures and transfers for Fiscal Year 2007 were \$783.7 million or 99.7% of the annual budgeted amount. Individual categories of expenditures as a percentage of the annual budget were as follows:

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Personal Services	97.6%
Fringe Benefits	103.4%
Other Expenses	93.9%
Equipment	111.8%
Student Aid	106.5%
Transfers	124.3%

**Personal Services/Fringe Benefits** were less than budget for the Fiscal Year ended June 30, 2007. The total Operating Fund budget for personal services and fringe benefits was \$485.8 million. This category was under budget by \$4.8 million for the fiscal year. As a result of internal reallocations, the University was able to identify resources to fund a net increase of 13 full-time faculty and 79 full-time non-faculty staff for a total increase of 92 positions (based on the IPEDS federal reporting standard). The hiring of the additional full-time faculty is part of the on-going effort to meet the course coverage demands of increased undergraduate enrollment. Even with the additional faculty, the student-to-faculty ratio has remained essentially constant. The University was appropriated funding for the Center for Entrepreneurship (\$2.0 million) and the Eminent Faculty (\$2.0 million) programs. Both of these programs require a significant investment in personnel. However, two factors delayed full hiring for the program: the uncertainty regarding the funds being permanently added to the University's appropriation and, for the Eminent Faculty program, the need to secure the private match required by the law. As noted above, \$3.3 million of the State appropriation remains unspent and represents a significant portion of the underage in Personal Services. In addition, the University's vacancy management program (30% of an unrestricted Operating Fund vacant position's salary/fringe benefits are removed on a one-time basis from a unit's budget) recaptured \$1.2 million more than anticipated. This translates into over \$4.0 million greater in turnover than what was anticipated in the budget.

**Other Expenses** (including energy costs) were under budget by \$11.3 million. Energy expenditures were under budget primarily due to lower natural gas prices and because we are realizing efficiencies achieved with the Cogeneration plant. After the Spending Plan was presented to the Board of Trustees the University secured a contract with Connecticut Natural Gas which locked in rates lower than the rates used to build the energy budget. These savings were partially offset by the electric rate increase (approximately 19% for commercial users) effective in January 2007 for those areas of the University not connected to the Cogeneration plant.

**Equipment** expenditures of \$10.9 million were 111.8% of the amount budgeted and represented 1.4% of the operating expenditures. Equipment expenditures were projected to exceed the budget primarily due to unliquidated Fiscal Year 2006 encumbrances. However, during the course of the year, a new accounting methodology was implemented which resulted in certain library acquisitions no longer being capitalized and considered equipment. These expenditures are now reflected as Other Expenses. Therefore, although equipment expenditures are over budget by \$1.2 million, it is not as much as projected.

**Student Financial Aid** expenditures were \$76.7 million for the fiscal year which is 106.5% of the amount budgeted. As stated at the Board of Trustees meeting on November 14, 2006, it was anticipated that additional funds would need to be allocated for need-based financial aid. The overage was covered with additional funds from state and federal sources (\$1.7 million) and energy savings.

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The **Transfers** line reflects transfers to Plant Funds for various building improvements, code related corrective action and bond and installment loan payments, as well as payments for the capital lease for the Cogeneration plant. Transfers were over budget and reflect a \$4.4 million unbudgeted transfer for code related corrective action. Also, the Departments of Residential Life and Dining Services transferred more funds for repairs and renovations due to energy savings. Additional detail is provided under the Fund Balance section below.

Finally, **Research Fund** expenditures and transfers totaled \$69.2 million and represented 98.8% of the budgeted amount. Fiscal Year 2007 expenditures were 2.5% more than Fiscal Year 2006 and this is reflective of the recent national trend of flat federal funding.

### **Enrollment**

Total University enrollment for fall 2006 (excluding the Health Center) is up 1.4% from fall 2005. First semester freshmen enrollment is up 3.2% from fall 2005; however, total undergraduate enrollment (degree and non-degree) is up only 1.3%. The current year budget was based on a projected 1.9% increase in total University enrollment and a projected 2.6% increase in undergraduate enrollment.

### **Cash Balance**

The June 30, 2007 current funds cash balance was \$111.8 million, \$15.4 million more than June 30, 2006 which was \$96.4 million. The current funds cash balance reflected the collection of 100.9% of budgeted revenue while total expenditures and transfers were 99.6% of budget.

### **Fund Balance**

The University has a combined net gain of \$9.6 million for the fiscal year ended June 30, 2007, which is comprised of an \$8.2 million unrestricted net gain and a \$1.4 million restricted net gain. This results in a Current Funds Unrestricted Fund Balance of \$54.4 million (Operating Fund-\$35.2 million; Research Fund-\$19.2 million). As noted above, the University could not completely expend the appropriated funding for the Center for Entrepreneurship and Eminent Faculty programs. The \$3.3 million in unspent funds will be carried forward to Fiscal Year 2008 and be designated for these programs. This has resulted in a temporary increase in the University's current funds unrestricted fund balance at year end. Excluding this one-time carry forward funding, the Unrestricted Fund Balance represents 6.7% of the FY07 unrestricted budget (\$758.9 million) or, alternatively stated, 25 days' worth of operations. Also, in accordance with standard University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditure in the current and future fiscal years.

Throughout the year, the University was projecting a change in Other Funds unrestricted net assets from \$48.1 million to \$52.6 million. For the Fiscal Year ended June 30, 2007, the Other Funds unrestricted net assets of \$53.7 million include unexpended Plant Funds (\$18.0 million) and funds Internally Restricted for Retirement of Indebtedness (\$35.7 million). The slight increase (\$0.9 million) in Internally Restricted for Retirement of Indebtedness from Fiscal Year 2006 (\$34.8 million) can be attributed to investment earnings. The University reserves at a level representing 1.6 times our annual debt cost and the \$35.7 million is

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consistent with that standard. Unexpended Plant Funds of \$18.0 million is an increase of \$4.7 million from the Fiscal Year 2006 amount of \$13.3 million. The Plant Funds balance includes cash resources for projects for Auxiliary Enterprise operations such as Residential Life, Dining Services, Student Health Services, Student Union and Athletics. Primarily due to energy savings (Auxiliary Enterprise Operations fund approximately 35% of the University's energy costs), the Departments of Residential Life and Dining Services were able to transfer more funds to Plant Funds than budgeted for repairs and renovations. Currently in Plant Funds is \$14.2 million to address repair and renovation projects for Auxiliary Enterprise Operations. For example, a major project that has just started is a window replacement project for Hale Hall, Ellsworth Hall, Brien McMahon Hall and West Campus that totals \$3.1 million. The University has a policy that a departmentally funded construction project does not begin unless the funding has been identified and transferred to Plant Funds. For Residential Life and Dining Services, the window of opportunity to actually complete the repairs and renovations is limited (some projects cannot be done while students are occupying the buildings) so the actual spending of the cash is a timing issue.

As noted above, \$4.4 million was transferred from Investment Income (a non-student revenue source) to address code violations at some of our student residential facilities and to remediate building and fire code discrepancies primarily at the Agricultural Biotechnology and Advanced Technology Institute Buildings. The University is pursuing financial recovery but must upfront cash for the work underway. The transfer guarantees appropriate funding streams and cash resources to support code activity in conformance with the new statutory language that prohibits the use of tuition or student fee revenue for repairs performed solely to correct code violations that were applicable at the time of project completion and were for named projects completed prior to January 1, 2007.

The actual net gain (loss) will depend on year-end closing entries and audit adjustments.

**UNIVERSITY OF CONNECTICUT**  
**Statement of Operating Budget Revenues and Expenses**  
**For the Twelve Months Ending 6/30/07**  
**(Prior to Close - Unaudited)**

	Operating Budget					Twelve Months Actuals w/accruals as of 9/5/07									
	GRAND TOTAL	RESEARCH FUND	OPERATING FUND			GRAND TOTAL	RESEARCH FUND	% of Budget	OPERATING FUND			% of Budget	% of Actl		
			E&G	Aux Ent	Subtotal				E&G	Aux Ent	Subtotal				
<b>REVENUE</b>															
State Appropriations	\$221,787,561		\$221,787,561	\$221,787,561	\$221,787,561			\$222,676,797			222,676,797	100.4%	28.2%		
State Allotment Fringe Benefits	83,499,631		83,499,631	83,499,631	83,499,631			82,746,831			82,746,831	99.1%	10.5%		
<i>Subtotal FY07 State Support</i>	<u>305,287,192</u>		<u>305,287,192</u>	<u>305,287,192</u>	<u>305,287,192</u>			<u>305,423,628</u>			<u>305,423,628</u>	100.0%	38.6%		
FY06 Carryforward-PS	350,000		350,000	350,000	350,000			350,000			350,000	100.0%	0.0%		
FY06 Carryforward-FB	134,855		134,855	134,855	169,438			169,438			169,438	125.6%	0.0%		
<i>Total State Support</i>	<u>305,772,047</u>		<u>305,772,047</u>	<u>305,772,047</u>	<u>305,943,066</u>			<u>305,943,066</u>			<u>305,943,066</u>	100.1%	38.7%		
Tuition	179,568,419		175,415,983	4,152,436	179,568,419			173,790,538	4,195,482		177,986,020	99.1%	22.5%		
Fees	71,426,839		50,531,898	20,894,941	71,426,839			53,433,212	21,238,347		74,671,559	104.5%	9.4%		
Grants & Contracts	112,394,036	69,041,707	42,876,329	476,000	43,352,329		71,486,933	42,217,482	541,119		42,758,601	149.8%	5.4%		
Foundation	19,932,679	350,000	6,830,826	12,751,853	19,582,679		112,796	19,881,324	12,292,204		22,173,528	171.2%	2.8%		
Investment Income	9,141,000		9,141,000		9,141,000			11,201,834	156,026		11,357,860	124.3%	1.4%		
Sales and Services of Ed Activities	14,135,000	525,000	13,610,000		13,610,000		53,841	14,883,849			14,883,849	109.4%	1.9%		
Aux Enterprise Revenue	132,352,992			132,352,992	132,352,992				130,029,435		130,029,435	98.2%	16.4%		
Other Sources	10,266,902	125,000	10,141,902		10,141,902		99,826	10,747,123	201,811		10,948,934	108.0%	1.4%		
<b>TOTAL REVENUE</b>	<u>854,989,914</u>	<u>70,041,707</u>	<u>614,319,985</u>	<u>170,628,222</u>	<u>784,948,207</u>			<u>\$862,506,248</u>	<u>\$71,753,396</u>	102.4%	<u>\$622,098,428</u>	<u>\$168,654,424</u>	<u>\$790,752,852</u>	100.7%	100.0%
<b>DISBURSEMENTS/TRANS:</b>															
Personal Services	403,662,854	36,062,712	321,327,906	46,272,236	367,600,142			394,009,135	35,224,708	97.7%	315,619,924	43,164,503	358,784,427	97.6%	45.8%
Fringe Benefits	126,537,320	8,294,424	101,559,709	16,683,187	118,242,896			129,971,045	7,760,365	93.6%	106,868,806	15,341,874	122,210,680	103.4%	15.6%
Other Expenses	205,141,214	20,143,657	109,871,045	75,126,512	184,997,557			195,558,902	21,856,778	108.5%	102,088,551	71,613,573	173,702,124	93.9%	22.2%
Equipment	14,309,394	4,540,914	6,335,302	3,433,178	9,768,480			13,362,321	2,438,670	53.7%	8,605,625	2,318,026	10,923,651	111.8%	1.4%
Fixed Charges/Student Aid	72,979,516	1,000,000	63,179,516	8,800,000	71,979,516			77,846,167	1,183,951	118.4%	67,487,610	9,174,606	76,662,216	106.5%	9.8%
Total Expenditures	<u>822,630,298</u>	<u>70,041,707</u>	<u>602,273,478</u>	<u>150,315,113</u>	<u>752,588,591</u>			<u>810,747,570</u>	<u>68,464,472</u>		<u>600,670,516</u>	<u>141,612,582</u>	<u>742,283,098</u>	98.6%	94.7%
Mandatory	24,351,057		11,037,499	13,313,558	24,351,057			22,251,789	41,108		8,946,828	13,263,854	22,210,681	91.2%	2.8%
Non Mandatory	9,015,254		-	9,015,254	9,015,254			19,946,346	681,192		6,125,510	13,139,644	19,265,154	213.7%	2.5%
Total Expense/Transfer	<u>855,996,609</u>	<u>70,041,707</u>	<u>613,310,977</u>	<u>172,643,925</u>	<u>785,954,902</u>			<u>852,945,705</u>	<u>69,186,772</u>	98.8%	<u>615,742,853</u>	<u>168,016,080</u>	<u>783,758,933</u>	99.7%	100.0%
<b>NET GAIN(LOSS)</b>	<u>(\$1,006,695)</u>	<u>\$0</u>	<u>\$1,009,008</u>	<u>(\$2,015,703)</u>	<u>(\$1,006,695)</u>			<u>\$9,560,543</u>	<u>\$2,566,624</u>		<u>\$6,355,575</u>	<u>\$638,344</u>	<u>\$6,993,919</u>		
<b>NET INC CASH BALANCE</b>								<u>\$15,398,083</u>							
<b>CASH BALANCE 6/30/06</b>								<u>\$96,429,640</u>							
<b>CASH BALANCE 6/30/2007</b>								<u>\$111,827,723</u>							

UNAUDITED

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Changes in Net Assets - All Funds

For the Year Ended June 30, 2007

(Prior to Close)

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<b>Revenues and Expenditures, 6/30/2007</b>					
Revenue	\$790,752,852	\$71,753,396	\$ 862,506,248	\$ 167,698,049	\$ 1,030,204,297
Expenditures and Transfers	783,758,933	69,186,772	852,945,705	166,238,158	1,019,183,863
Net Increase	<u>\$ 6,993,919</u>	<u>\$ 2,566,624</u>	<u>\$ 9,560,543</u>	<u>\$ 1,459,891</u>	<u>\$ 11,020,434</u>
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Net Assets, 6/30/06					
Restricted and invested in capital assets, net of related debt	\$ 11,299,630	\$ (26,553)	\$ 11,273,077	\$ 1,278,040,479	\$ 1,289,313,556
Unrestricted	28,582,235	17,646,739	46,228,973	48,109,094	94,338,067
Total, 6/30/06	<u>\$ 39,881,865</u>	<u>\$ 17,620,186</u>	<u>\$ 57,502,050</u>	<u>\$ 1,326,149,573</u>	<u>\$ 1,383,651,623</u>
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Compensated Absences Liability, 6/30/06	\$ 23,262,901				
Change at 6/30/07					
Restricted and invested in capital assets, net of related debt	\$ 394,041	\$ 979,107	\$ 1,373,149	\$ (4,141,860)	\$ (2,768,711)
Unrestricted	6,599,878	1,587,516	8,187,394	5,601,751	13,789,145
Subtotal, 6/30/07	<u>\$ 6,993,919</u>	<u>\$ 2,566,624</u>	<u>\$ 9,560,543</u>	<u>\$ 1,459,891</u>	<u>\$ 11,020,434</u>
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Net Assets, 6/30/07 (Unaudited)					
Restricted and invested in capital assets, net of related debt	\$ 11,693,671	\$ 952,554	\$ 12,646,226	\$ 1,273,898,619	\$ 1,286,544,845
Unrestricted	35,182,113	19,234,255	54,416,368	53,710,844	108,127,212
Total, 6/30/07	<u>\$ 46,875,784</u>	<u>\$ 20,186,809</u>	<u>\$ 67,062,593</u>	<u>\$ 1,327,609,464</u>	<u>\$ 1,394,672,057</u>
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Compensated Absences Liability, 6/30/07	\$ 24,274,100				