

***Financial Report
to the
Board of Trustees***

February 28, 2012



***FY11 Closeout
and
FY12 Six Month Update***



***University of Connecticut
Health Center***

FY11 Closeout

University of Connecticut Health Center

FY 2011 Budget Review

The following narrative provides information on the main drivers of the University of Connecticut Health Center financial results for Fiscal 2011.

- **Executive Summary** - Fiscal Year 2011 ended with an excess of revenue over expenses of \$3.9 million, compared to a budget of \$46,000, for a favorable variance of \$3.8 million. The positive results had two main drivers. First was increased State support due to the increase in the in-kind fringe benefits associated with the general fund salaries. In addition, the John Dempsey Hospital had a positive budget variance of \$835,000 driven by the favorable variance in Net Patient revenue of \$6.7 million due to favorable contract negotiations.

- **Total Revenue** – For the year ended June 30, 2011, total Revenue including total “State Support” was \$766.8 million. Total Revenue was below budget projections by \$7.9 million or 1.0%. The budget variance was mainly due to the Correctional Managed Health Care program which was under budget by \$7.6 million. Details and other variances are:
 - **Net Patient Revenue** – For the year ended June 30, 2011, Net Patient Revenue was below budget by \$100,000. The variances by unit are:
 - JDH - \$6.7 million above budget. Outpatient equivalents were favorable to budget by 530 cases (6.0%). This was offset by Inpatient discharges that were unfavorable to the budget plan by 440 cases (4.5%) and are below last year by 257 cases (2.7%).
 - UMG - \$5.5 million below budget. Both volume and revenue per visit were down in FY 2011. This was mainly due to Physician vacancies spread throughout UMG specialties.
 - Other revenue generating areas were \$1.3 million below budget.

 - **Correctional Managed Health Care** – Revenues from the Correctional Managed Health Care program are recorded based on program expenditures. Expenditures for FY 2011 were under budget by \$7.6 million and the corresponding revenue is also under budget by the same amount.

 - **Gifts, Grants & Contracts** – The unfavorable variance of \$3.6 million was reflective of the increasing competitive environment for federal grant awards. This was offset by total research expenses being under budget by \$1.2 million.

 - **Total State Support** – The State appropriation for FY11 totaled \$173.2 million and was \$4.3 million over budget due to the in-kind fringe benefits reimbursed by the state. The actual fringe benefit cost related to this reimbursement was 3.9% higher than the budget.

- **Total Expenditures** – For the year ended June 30, 2011, total Expenditures were below budgeted amounts by \$11.7 million or 1.5%. The following are variances for categories of expense:
 - **Personal Services and Fringe Benefits** – For the year ended June 30, 2011, Personal Services were under budget by \$1.1 million. This was offset by Fringe Benefit expenditures which were above budget by \$2.4 million or 2.3%. This was due to the increase in the fringe rate which was partially offset by the increase in the in-kind fringe benefit recovery noted above in the revenue section.
 - **Drugs and Medical** – For the year ended June 30, 2011, drugs and medical supplies were below budget by \$2.8 million or 4.2%. Drug expenses were favorable by \$1.5 million or 8.2%. Expenses were below budget due to the availability of 340b pricing for outpatient drug purchases by the Hospital. Medical supplies were also below budget by \$1.3 million or 2.6%. The majority of this occurred at JDH. The reason for the variance was less than budgeted surgical volume for high cost cases and a reduction in cost due to contract negotiations and vendor changes through the review and monitoring of the Value Analysis Committee.
 - **Outside & Other Purchases** – For the year ended June 30, 2011, expenditures were below budget by about \$5.4 million or 11.7%. This was mainly due to less spending associated with Grants and Contracts which is offset by the reduction in revenue noted above.
 - **Correctional Managed Health Care** – For the year ended June 30, 2011, the program expenditures were under budget by \$7.6 million or 7.7%. This was mainly attributed to a reduction in Personal services due to vacancies and a reduction in overtime hours. Additionally, pharmaceutical costs for the year were significantly below budget due to the availability of 340b pricing.
- **Net Gain (Loss)** – For the year ended June 30, 2011, the Health Center ended with a net gain (an excess of revenue over expenses) of \$3.9 million, compared to a budget of \$46,000, for a favorable variance of \$3.8 million.

University of Connecticut Health Center
Statement of Current Funds Budget Operations and Variance Analysis
FY 2011 Actual
(Dollars in Millions)

Current Funds Revenues:	Actual	Budget	Variance	% Change
State Support	\$173.2	\$168.9	\$4.3	
Tuition	11.8	11.9	(0.1)	
Fees	5.5	5.0	0.5	
Gifts, Grants & Contracts	84.8	88.4	(3.6)	
Investment Income	2.7	3.0	(0.3)	
Interns & Residents	47.6	47.8	(0.2)	
Net Patient Revenue	334.8	334.9	(0.1)	
Correctional Managed Health Care	91.0	98.6	(7.6)	
Auxiliary Enterprise Education	13.6	13.8	(0.2)	
Other Revenue	<u>1.8</u>	<u>2.4</u>	<u>(0.6)</u>	
Total Current Funds Revenues	\$766.8	\$774.7	(\$7.9)	-1.0%
Current Funds Expenditures / Transfers:				
Personal Services	\$311.5	\$312.6	(\$1.1)	
Fringe Benefits	108.9	106.5	\$2.4	
Drugs/Medical Supplies	64.2	67.0	(\$2.8)	
Medical Contractual Support	16.5	15.0	\$1.5	
Medical/Dental House Staff	42.3	42.1	\$0.2	
Correctional Managed Health Care	91.6	99.2	(\$7.6)	
Outside Agency Per Diem	2.2	2.1	\$0.1	
Utilities	14.5	14.0	\$0.5	
Outside & Other Purchases	40.8	46.2	(\$5.4)	
Insurance	6.9	6.5	\$0.4	
Repairs & Maintenance	10.3	9.6	\$0.7	
Other Expenses	23.4	23.8	(\$0.4)	
Depreciation	<u>29.8</u>	<u>30.0</u>	<u>(\$0.2)</u>	
Total Current Funds Expenditures / Transfers	\$762.9	\$774.6	(\$11.7)	-1.5%
Net Gain (Loss)	<u>\$3.9</u>	<u>\$0.1</u>	<u>\$3.8</u>	



***University of Connecticut
Health Center***

FY12 Six Month Update

TO: Members, Finance Subcommittee
FROM: John M. Biancamano, Chief Financial Officer
DATE: February 10, 2012
SUBJECT: **Unaudited FY 2012 Financial Results for the 6 month period ending December 31, 2011**

**Consolidated Financial Reports
Financial Update & Highlights**

Introduction:

The following provides highlights for the results of operations for the six months ending December 31, 2011:

The Loss for the Fiscal Year is \$3.1 million as compared to a budgeted loss of \$2.9 million for an unfavorable variance of \$235,000. Key drivers of budget variances are outlined below.

Education, Research & Institutional Support

The result of operations for Education, Research & Institutional Support is favorable to the budget by \$4 million year-to-date. The variance is primarily attributed to favorable expense variances in the School of Medicine and Institutional Support.

Year to date significant highlights include:

- The School of Medicine total expenses were favorable to budget by \$1.3 million (1.8%). School of Medicine revenues were favorable to budget by \$400,000 (1.1%)
- The School of Dental Medicine including University Dentists and the Dental Implant Center results of operations were unfavorable to budget by \$808,000 primarily due to lower clinical volume in University Dentists and the Dental Implant Center.
- Research results of operations are on budget. Federal Research revenues are \$1.4 million unfavorable and Non Federal research revenues are \$2.4 million unfavorable to budget. This is offset by income from endowments favorable to budget by \$1.4 and expenses below budget by \$1.8 million. Key favorable variances exist in Medical Supplies (\$1.2 million), and Outside and Other Purchased services (\$881,000).
- Institutional support results of operations were favorable to budget by \$3.2 million (9.7%), primarily due to Salaries, Repairs and Maintenance and Utilities.

Clinical

The clinical operations year to date combined loss was \$9.6 million compared to a budget loss of \$5.2 million. Summary analysis of revenues and expenses are in the following pages.

John Dempsey Hospital

Results of Operations

Year-to-date, the gain is \$74,000 compared to a budgeted deficit of \$221,000, for a favorable variance of \$296,000. The loss for the same period prior year was \$1.4 million. The year-to-date favorable variance was driven by revenue being greater than budget resulting from favorable rate increases and better than expected other income. Other significant highlights include:

Category	Year - to - Date						
	Actual	Budget	Variance	Percent	Prior Year	Variance	Percent
John Dempsey Hospital (in thousands)							
JDH Excess of Revenues over Expenses/ (Deficiency)	\$74	(\$221)	\$295	133.5%	(\$1,385)	\$1,459	105.3%
JDH Operating Margin	0.1%	-0.2%	0.2%	29.8%	-1.0%	1.1%	-105.1%
Inpatient Discharges	4,330	4,797	(467)	-9.7%	4,709	(379)	-8.0%
Outpatient Equivalents	5,534	5,553	(19)	-0.3%	4,619	915	19.8%
Net Revenue per Adjusted Discharge	\$13,606	\$12,965	\$642	4.9%	\$13,990	(\$384)	-2.7%
Cost per Adjusted Discharge	\$14,261	\$13,550	\$712	5.3%	\$14,038	\$223	1.6%
Days Revenue in Accounts Receivable	43	42	1	2.4%	45	(2)	-4.4%
Case Mix Index	1.3974	1.4986	(0.1012)	-6.8%	1.4654	(0.0680)	-4.6%

UConn Medical Group

Results of Operations

Year-to-date, the deficit is \$9.7 million compared to a budgeted deficit of \$5.0 million, for an unfavorable variance of \$4.7 million. The deficit for the same period prior year was \$5.6 million an unfavorable change of \$4.1 million. Other significant highlights include:

Category	Year - to - Date						
	Actual	Budget	Variance	Percent	Prior Year	Variance	Percent
University Medical Group (in thousands)							
Excess of Revenues over Expenses/ (Deficiency)	(\$9,685)	(\$5,000)	(\$4,685)	93.7%	(\$5,644)	(\$4,041)	-71.6%
Operating Margin	-24.8%	-11.4%	-13.4%	118.3%	-13.3%	-11.54%	-87.0%
RVU's	400,605	428,308	(27,703)	-6.5%	425,776	(25,171)	-5.9%
Net Revenue Per RVU	\$87.52	\$93.57	(\$6.04)	-6.5%	\$89.91	(\$2.39)	-2.7%
Cost per RVU	\$121.60	\$114.38	\$7.22	6.3%	\$113.14	\$8.46	7.5%
Days Revenue in Accounts Receivable	45	58	(13)	-22.4%	61	(16)	-26.2%



University of Connecticut Health Center

Consolidated Statement of Revenues and Expenses (without Eliminations)

	Consolidated UConn Health Center YTD December 2011			Consolidated UConn Health Center YTD December 2010			
	Actual	Budget	Variance	Percent Variance	Actual	Variance	Percent Variance
Revenues:							
Tuition	\$ 8,941,193	\$ 9,336,238	\$ (395,045)	-4.2%	\$ 8,818,759	\$ 122,434	1.4%
Federal Research Grants and Contracts	32,298,443	33,750,000	(1,451,557)	-4.3%	33,744,865	(1,446,422)	-4.3%
Non-Federal Research Grants and Contracts	7,280,061	9,662,225	(2,382,163)	-24.7%	7,973,992	(693,931)	-8.7%
Auxiliary Enterprises	7,905,812	8,302,992	(397,180)	-4.8%	6,667,810	1,238,002	18.6%
Internal Income	30,052,739	29,186,289	866,449	3.0%	28,934,555	1,118,184	3.9%
Interns and Residents	26,375,940	26,126,127	249,813	1.0%	23,684,992	2,690,948	11.4%
Net Patient Care	170,528,302	175,234,393	(4,706,090)	-2.7%	171,666,962	(1,138,660)	-0.7%
Correctional Managed Health Care	43,128,752	48,825,413	(5,696,661)	-11.7%	45,121,882	(1,993,130)	-4.4%
Endowment Income	3,638,885	1,809,690	1,829,195	101.1%	1,758,321	1,880,564	107.0%
Investment Income	73,850	123,052	(49,201)	-40.0%	112,550	(38,700)	-34.4%
Other Income	14,791,053	14,863,245	(72,192)	-0.5%	10,656,440	4,134,613	38.8%
Total Revenues	\$ 345,015,030	\$ 357,219,662	\$ (12,204,632)	-3.4%	\$ 339,141,128	\$ 5,873,902	1.7%
Expenses:							
Personal Services	\$ 163,559,926	\$ 164,028,249	\$ (468,322)	-0.3%	\$ 154,551,469	\$ 9,008,457	5.8%
Fringe Benefits	59,218,971	58,849,221	369,750	0.6%	59,896,202	(677,231)	-1.1%
JDH Fringe Benefit Allotment	(6,750,000)	-	-	0.0%	(6,750,000)	-	0.0%
Medical Contractual Support	9,174,400	9,145,979	28,421	0.3%	8,685,190	489,210	5.6%
Internal Contractual Support	10,721,893	10,829,982	(108,089)	-1.0%	11,398,528	(676,635)	-5.9%
Medical/Dental House Staff	31,024,044	30,353,618	670,426	2.2%	29,719,953	1,304,091	4.4%
Correctional Managed Healthcare	43,128,752	48,825,413	(5,696,661)	-11.7%	45,121,882	(1,993,130)	-4.4%
Outside Agency Per Diems	1,025,108	752,142	272,966	36.3%	891,549	133,559	15.0%
Drugs	10,493,868	8,174,420	2,319,448	28.4%	8,604,647	1,889,221	22.0%
Medical Supplies	20,443,189	24,734,001	(4,290,812)	-17.3%	23,466,927	(3,023,738)	-12.9%
Utilities	6,727,839	7,536,345	(808,506)	-10.7%	7,186,207	(458,368)	-6.4%
Outside & Other Purchased Services	41,696,438	42,722,985	(1,026,547)	-2.4%	40,878,290	818,148	2.0%
Insurance	3,568,603	3,422,087	146,515	4.3%	4,003,852	(435,249)	-10.9%
Repairs & Maintenance	6,459,466	7,630,314	(1,170,848)	-15.3%	6,481,042	(21,576)	-0.3%
Other Expenses	10,414,409	12,524,425	(2,110,016)	-16.8%	11,918,183	(1,503,774)	-12.6%
Depreciation	14,809,772	14,809,771	1	0.0%	14,137,564	672,208	4.8%
Total Expenses	\$ 425,716,678	\$ 437,588,951	\$ (11,872,274)	-2.7%	\$ 420,191,485	\$ 5,525,193	1.3%
Excess/(Deficiency) of Revenues over Expenses Prior to State Appropriations	\$ (80,701,648)	\$ (80,369,289)	\$ (332,359)	0.4%	\$ (81,050,357)	\$ 348,709	-0.4%
State Appropriation-Block Grant	\$ 54,834,789	\$ 54,834,789	\$ -	0.0%	\$ 59,473,175	\$ (4,638,386)	-7.8%
State Supported Fringe Benefits and Other Adjustments	22,694,738	22,597,604	97,134	0.4%	25,933,108	(3,238,370)	-12.5%
Excess/(Deficiency)	\$ (3,172,121)	\$ (2,936,896)	\$ (235,224)	8.0%	\$ 4,355,926	\$ (7,528,047)	-172.8%



***University of Connecticut
Storrs & Regional Campuses***

FY11 Closeout

University of Connecticut (Storrs & Regional Campuses) – FY11

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2011

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, 2011 reflects unaudited figures and is subject to additional year-end accounting and audit adjustments.

On June 10, 2010, the Board of Trustees approved a Spending Plan for Fiscal Year 2011 which included \$1,033.5 million of revenue to cover \$1,047.5 million in expenses and transfers. The budgeted net loss of \$14.0 million consisted of the \$1.0 million reserve repayment from the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union, and a \$15.0 million transfer from University operating reserves to the State General Fund as required by the 2011 State budget.

The University ended the year with an unrestricted Operating Budget loss of \$0.5 million (Operating Fund \$1.3 million and Research Fund (\$1.8) million) and a restricted gain of \$2.2 million (Operating Fund \$2.6 million and Research Fund (\$0.4) million). The Operating Fund unrestricted net gain of \$3.9 million was more than anticipated primarily due to greater tuition and fees, additional federal and state financial aid, and a successful post season for Athletics. An 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	\$1.3	(\$1.8)	(\$0.5)
Restricted	<u>2.6</u>	<u>(0.4)</u>	<u>2.2</u>
Total	\$3.9	(\$2.2)	\$1.7

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the Fiscal Year 2011 were \$960.9 million which represented 102.4% of the annual budget. Last fiscal year, Operating Fund revenue collections represented 100.1% of the annual budget. A major source of revenue, **State Support**, consisted of a \$232.5 million appropriation and a fringe benefit allotment of \$96.4 million. The State Support amount is consistent with the University's Biweekly Schedule of State Appropriation Transfers. State Support represented 34.2% of total Operating Fund receipts for the year.

Tuition collections were the second largest source of revenue, totaling \$246.1 million, which represented 25.6% of total Operating Fund receipts. Tuition receipts were 102.5% of the annual amount budgeted (\$240.1 million). Tuition revenue collections reflected a 5.66% rate increase coupled with a 1.6% increase in the number of undergraduate degree-seeking students who account for approximately 86.3% of tuition revenues. Overall enrollment was 2.0% higher than budgeted. Tuition revenue was greater than budgeted at fiscal year-end.

Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off campus MBA, EMBA, etc.). Also included

University of Connecticut (Storrs & Regional Campuses) – FY11

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. Due to higher enrollment than projected and better than expected summer session enrollment, Fee revenues were ahead of budget at \$92.3 million or 101.6% of the amount budgeted.

Auxiliary Enterprise Revenue for Fiscal Year 2011 was \$176.4 million which represented 103.6% of the annual budgeted amount. This is largely due to a successful post season for Athletics. Auxiliary revenue consists primarily of Room and Board fees which reflected rate increases of 7.0% and 6.0% respectively (\$134.2 million) and Athletic Department receipts (\$38.0 million).

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For Fiscal Year 2011, Gifts, Grants and Contracts revenue of \$88.5 million, which included \$18.5 million from the UConn Foundation, was 112.2% of the annual budget. This category was greater than budgeted for the year in large part because of additional federal and state financial aid funds.

Investment Income for Fiscal Year 2011 was \$1.0 million. Interest rates in the State Treasurer’s STIF were 0.21% by the end of the fiscal year. The average interest rate for Fiscal Year 2011 was 0.23% compared to 0.33% for Fiscal Year 2010.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$27.6 million and were slightly ahead of budget primarily due to greater activity in certain Educational Activities (i.e. Study Abroad, Roper Center, and Institute of Materials Science).

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. Research Fund revenues were \$97.3 million and represented 102.6% of the amount budgeted. In Fiscal Year 2010, Research Fund revenues totaled \$89.7 million and represented 104.5% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for Fiscal Year 2011 were \$894.0 million or 101.7% of the annual budgeted amount. Fiscal Year 2010 reflected expenditures of 98.8% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	100.3%
Fringe Benefits	97.9%
Other Expenses	104.8%
Equipment	97.7%
Student Aid	107.5%

Personal Services/Fringe Benefits represented 99.6% of the annual budgeted amount of \$563.4 million. The official full-time faculty count (based on IPEDS federal reporting

University of Connecticut (Storrs & Regional Campuses) – FY11

standards) was 18 more than the prior year. This category was under budget due to less fringe benefit expenditures than budgeted.

Other Expenses (including energy costs) were \$196.9 million and represented 104.8% of the amount budgeted. Energy expenditures were below budget for the year due to favorable gas prices. Other Expenses (excluding energy costs) were greater than anticipated primarily due to the encumbrances at the end of fiscal year 2010 that became expenses in the first two quarters of fiscal year 2011 and the additional cost of hiring a consulting firm to examine operations and recommend savings and revenue-enhancements. Also, contributing to this category was higher than expected expenditures in Athletics due to successful post season participation.

Equipment expenditures of \$17.4 million were 97.7% of the amount budgeted or \$415,000 below budget.

Student Aid expenditures were \$118.4 million and represented 107.5% of the amount budgeted. This category was greater than budgeted for the year due primarily to additional federal and state funds. This increase in expenditures was offset by the additional state and federal revenue and \$1.6 million of University resources.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects transfers for bond and installment loan payments, payments for the capital lease for the cogeneration plant, and transfers to Plant Funds for construction and information technology projects. Transfers were \$63.0 million or 85.7% of the amount budgeted at year-end. Transfers were less than budgeted due to the revised funding plan for the water reclamation project that reallocated some existing plant fund balances as opposed to using current year revenues. In addition, the timing of future Student Affairs projects has been adjusted to accommodate the current construction schedule and to recognize the limited window of opportunity to actually complete many repairs and renovations since some projects cannot be done while students are occupying the buildings.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$99.5 million and represented 104.9% of the budgeted amount. In Fiscal Year 2010, Research Fund expenditures and transfers totaled \$88.1 million and represented 102.7% of the budgeted amount. Research expenditures and transfers exceeded the budget due to equipment expenditures and Research Fund support for the Torrey Life Sciences 1st Floor construction project.

Enrollment

Total University enrollment for fall 2010 (excluding the Health Center) was up 1.7% from fall 2009 and undergraduate enrollment (degree and non-degree) was up 1.8%. The budget was based on lower enrollment levels.

University of Connecticut (Storrs & Regional Campuses) – FY11

Current Funds Unrestricted Fund Balance

The University had a combined net gain of \$1.7 million for the fiscal year ended June 30, 2011, which was comprised of a \$0.5 million unrestricted net loss and a \$2.2 million restricted net gain. This resulted in a Current Funds Unrestricted Fund Balance of \$71.0 million. The unrestricted fund balance represented 7.8% of the Fiscal Year 2011 unrestricted expenditure budget (\$910.1 million) or, alternatively stated, 28 days' worth of operations.

The \$71.0 million current funds balance represents the funds remaining in the following operating areas: the research fund (designated for research); the auxiliary operations (residential, dining, health, student activities and recreational services); and departmental generated (self-supporting fee-based instructional programs such as Continuing Studies and MBA).

The unrestricted current funds balance is our operating capital and support for programs and activities that generate revenue and are not supported by the State appropriation. We borrow from the fund balance to pay our bills when necessary. Additionally, in 2010 the Governor requested fund balances totaling \$8 million from us during the fiscal year. We were able to meet this obligation using existing fund balance. The fund balance allows us to manage these dislocations without disrupting the University's operations.

Fund balances may be held in a departmental account for start-up costs for new faculty conducting research. Additionally, under the provisions of UCONN 2000, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition; the fund balance serves this purpose under the Master Indenture. These balances also include inventory, prepaid expenses and encumbrances.

Throughout the year, when funds are available, we also set aside dollars in accounts for planned one-time expenditures, mostly capital. These accounts comprise our plant funds. These balances are primarily for Auxiliary Enterprise projects such as Residential Life, Dining Services, Student Health Services, Student Union and Athletics. The University has a policy that a departmentally funded construction project cannot begin unless the funding has been identified and transferred to plant funds. For Residential Life and Dining Services projects, the window of opportunity to actually complete many repairs, renovations and improvements is limited as some projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue. Also, the plant funds balance includes \$27 million set-aside for the water reclamation project. This project started at the beginning of June 2011 with substantial completion expected by fall 2012.

The FY11 year-end unrestricted net assets of \$175.4 million (unaudited) consisted of \$71.0 million current funds balance, \$69.4 million in unexpended plant funds and \$35.0 million in funds that are internally restricted for the retirement of indebtedness.

University of Connecticut (Storrs & Regionals)

FY11 Audited Current Funds Statement of Operations

(Dollars in Millions)

Current Funds (Operating & Research) Revenues:

Operating Fund	
State Support	\$329.0
Tuition	246.1
Fees	92.3
Gifts, Grants & Contracts	88.5
Investment Income	1.0
Sales & Service Education	16.1
Auxiliary Enterprise Revenue	176.4
Other Revenue	<u>11.5</u>
Total Operating Fund	960.9
Research Fund	<u>97.3</u>
Total Current Funds (Operating & Research) Revenues	\$1,058.2

Current Funds (Operating & Research) Expenditures / Transfers:

Operating Fund	
Personal Services	\$413.0
Fringe Benefits	148.3
Other Expenses	170.4
Energy	26.5
Equipment	17.4
Student Financial Aid ¹	118.4
Net Transfers-Mandatory	19.8
Net Transfers-Auxiliary Non-Mandatory	35.3
Net Transfers-E&G Non-Mandatory	<u>7.9</u>
Total Operating Fund	957.0
Research Fund	<u>99.5</u>
Total Current Funds Expenditures / Transfers	\$1,056.5

Current Funds Net Gain² **\$1.7**

Non-Current Funds Items

Net Transfers from Current Funds	\$63.0
Capitalization Adjustment for Items Expensed in Current Funds	(46.1)
Depreciation Expense ³	(90.3)
Non-Operating Expense Net of Current Funds Items ⁴	21.9
Capital Deductions	<u>0.9</u>
Total Increase in Net Assets	<u>(\$48.9)</u>

Net Assets - beginning of year⁵ **\$1,444.3**

Net Assets - end of year **\$1,395.4**

¹ Includes \$2.9 million of student work study expenditures.

² Net Gain of \$1.7 million: Unrestricted=(\$0.5) million, Restricted=-\$2.2 million.

³ Not budgeted.

⁴ State Support, Gifts and Investment Income are included above in Current Funds; interest expense (net of state debt service commitment for interest) is the primary remaining component of Non-Operating Expense.

⁵ Per University Audited Annual Financial Statements.



***University of Connecticut
Storrs & Regional Campuses***

FY12 Six Month Update

University of Connecticut (Storrs & Regional Campuses) – FY12

Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2011

Summary

On September 28, 2011, the Board of Trustees approved a Spending Plan for Fiscal Year 2012 which includes \$1,028.6 million of revenue to cover \$1,033.2 million in expenses and transfers. The budgeted net loss of \$4.6 million has two components; \$2.0 million of the loss is due to the University's plan to partially fund an over commitment in financial aid from prior year fund balances, and \$2.6 million is attributable to the Research Fund.

Financial results for the first six months of Fiscal Year 2012 reflected a number of different factors when compared to budget. Actual revenue totaled \$511.9 million or 49.8% of the budget. At the close of December, the University expenditures and transfers totaled \$505.5 million or 48.9% of the budget.

The net gain for the Operating Fund shown in this six month report is not indicative of expected annual results, as most Operating Fund revenue is typically received in the first and second quarters of the fiscal year while expenditures are more evenly distributed throughout the year. This year, there is a higher level of revenues primarily due to additional tuition revenue and a lower level of expenditures due to less personal services and other expenses. While the approved budget reflected a net loss, the current year-end forecast is a balanced budget.

A more detailed review of the first six months of Fiscal Year 2012 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2012 were \$466.7 million which represented 50.2% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 50.9% of the annual budget. A major source of revenue, **State Support**, consisted of a \$101.0 million appropriation and a fringe benefit allotment of \$43.4 million. State Support represented 30.9% of total Operating Fund receipts for the first six months. On January 23, 2012, the Governor issued a directive which reduced the Fiscal Year 2012 State appropriation allotment by \$2.1 million or 1%; associated fringe benefit support was also reduced by \$0.9 million for a total of \$3.0 million. This category will be less than budget at year-end due to this rescission.

Tuition collections were the second largest source of revenue, totaling \$132.9 million, which represented 28.5% of total Operating Fund receipts. Tuition receipts were 51.9% of the annual amount budgeted (\$256.1 million). Tuition revenue collections reflect a 2.4% rate increase coupled with a 2.9% increase in the number of undergraduate degree-seeking students who account for approximately 86.5% of budgeted tuition revenues. Overall enrollment is 1.2% higher than budgeted. Tuition revenue is projected to be greater than originally budgeted.

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

University of Connecticut (Storrs & Regional Campuses) – FY12

Application Fees and Late Payment Fees. The first six months Fee collections were slightly less than anticipated at \$47.6 million or 48.7% of the amount budgeted. However, this category is expected to be on budget at year end.

Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2012 was \$93.9 million which represented 51.1% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 2.5% (\$70.9 million) and Athletic Department receipts (\$17.0 million). At year end, this category is projected to be slightly greater than budget due to a greater amount of students housed and more meal plans than anticipated.

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For the first six months of Fiscal Year 2012, Gifts, Grants and Contracts revenue of \$38.0 million, which included \$4.6 million from the UConn Foundation, was 44.0% of the annual budget. This category was under budget for the quarter but is expected to be over budget at year end primarily due to additional federal and state funds and more Foundation funds than budgeted.

Investment Income for the first two quarters of Fiscal Year 2012 was \$0.5 million. Interest rates continue to be low with the rate for December 2011 at 0.18% compared to 0.24% in December 2010. Investment income for the year is projected to be slightly more than budgeted. Actual results will depend on interest rates and the University's cash balance through the second half of the fiscal year.

Sales and Services of Educational Activities and Other Sources revenue totaled \$9.4 million and were less than budget for the quarter but expected to be slightly over budget for the year due to greater activity in educational activities such as Study Abroad.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first six months, Research Fund revenues were \$45.2 million and represented 46.1% of the amount budgeted. In Fiscal Year 2011, Research Fund revenues reported in the first six months totaled \$50.8 million and represented 53.5% of the amount budgeted. This category is projected to be less than budget at year-end due to less research activity.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first six months of Fiscal Year 2012 were \$449.4 million or 49.7% of the annual budgeted amount. The spending pattern for the first two quarters of Fiscal Year 2011 reflected expenditures of 51.3% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	49.8%
Fringe Benefits	47.8%
Other Expenses	51.0%
Equipment	52.2%
Student Aid	49.4%

University of Connecticut (Storrs & Regional Campuses) – FY12

Personal Services/Fringe Benefits represented 49.2% of the annual budgeted amount of \$572.7 million. The personal services expenditures were less than budget for the first two quarters. While the UCPEA and Classified employees received unbudgeted wage increases for the first four pay periods, the total number of staff is less than expected. The official full-time faculty count (based on IPEDS federal reporting standards) is 26 more than the prior year. Due to limited strategic hiring and the amount of time it takes to refill positions, especially faculty, we anticipate personal services and fringe benefits to end the year under budget.

Other Expenses (including energy costs) were \$98.3 million for the first six months and represented 51.0% of the amount budgeted. Energy expenditures are projected to be slightly below budget for the year due to favorable gas prices. In addition, Other Expenses (excluding energy costs) are less than anticipated for the first two quarters primarily due to technology and other miscellaneous expenditures. This category is projected to be less than budget at year-end.

Equipment expenditures of \$8.7 million were 52.2 % of the amount budgeted. This category was less than expected for the first six months but expenditures are expected to be on budget at year end.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first two quarters, Student Aid expenditures were \$60.4 million and represented 49.4% of the amount budgeted. While this category was behind the first six months projection, it is expected to be slightly over budget at year-end due to more funds expended for work-study.

Expenditures - Operating Fund Transfers

Net Transfers for the first two quarters were only \$7.7 million and consisted of transfers to Plant Funds for construction projects, bond and installment loan payments, and payments for the capital lease for the cogeneration plant. However, Transfers are expected to be greater than budgeted at year-end as transfers-in from other Funds will be less than budgeted.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$48.4 million and represented 48.1% of the budgeted amount. In Fiscal Year 2011, Research Fund expenditures and transfers reported in the first six months totaled \$53.3 million and represented 56.2% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. However, this category is projected to be less than budget at year-end due to less personal services expenses as well as less commodities purchased.

Enrollment

Total University enrollment for fall 2011 (excluding the Health Center) is up 1.7% from fall 2010 and undergraduate enrollment (degree and non-degree) is up 2.7%. The budget was based on lower enrollment levels.

University of Connecticut (Storrs & Regional Campuses) – FY12

Fund Balance

The University's budget was projected to have a net loss of \$4.6 million for the fiscal year ended June 30, 2012, which would have resulted in a Current Funds Unrestricted Fund Balance of \$66.3 million (Operating Fund-\$49.1 million; Research Fund-\$17.2 million). This fund balance represented 7.4% of the current year's unrestricted expenditure budget (\$893.3M). At the end of the first six months, we are forecasting a balanced budget at year-end which would result in a Current Funds Unrestricted Fund Balance of 70.9 million or 7.9% of the current year's unrestricted expenditure budget. Also, in accordance with current University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditures in the current and future fiscal years.

University of Connecticut (Storrs & Regionals)
Statement of Current Funds Budget Operations¹ and Variance Analysis

FY12 Unaudited

(Dollars in Millions)

Current Funds Revenues:	12/31/11	6/30/12			
	Actual	Budget	Forecast	Variance	% Change
Operating Fund					
State Support	\$144.4	\$284.2	\$280.8	(\$3.4)	
Tuition	132.9	256.1	259.4	3.3	
Fees	47.6	97.7	97.7	0.0	
Grants & Contracts	33.5	63.6	64.6	1.0	
Foundation	4.6	22.8	24.8	2.0	
Investment Income	0.5	0.7	0.9	0.2	
Sales & Service Education	7.1	16.1	16.6	0.5	
Auxiliary Enterprise Revenue	93.9	183.6	184.0	0.4	
Other Revenue	<u>2.3</u>	<u>5.8</u>	<u>5.6</u>	<u>(0.2)</u>	
Total Operating Fund	\$466.7	\$930.5	\$934.4	\$3.8	0.4%
Research Fund	<u>45.2</u>	<u>98.1</u>	<u>96.6</u>	<u>(1.5)</u>	-1.5%
Total Current Funds Revenues	\$511.9	\$1028.6	\$1031.0	\$2.3	0.2%

Current Funds Expenditures/Transfers:

Operating Fund					
Personal Services	\$208.8	\$419.6	\$417.5	(\$2.1)	
Fringe Benefits	73.2	153.1	150.8	(2.3)	
Other Expenses	88.5	165.8	164.7	(1.1)	
Energy	9.8	26.9	26.2	(0.7)	
Equipment	8.7	16.8	16.8	0.0	
Student Financial Aid	60.4	122.1	122.5	0.4	
Transfers	<u>7.7</u>	<u>28.3</u>	<u>36.4</u>	<u>8.1</u>	
Total Operating Fund	\$457.0	\$932.5	\$934.9	\$2.3	0.2%
Research Fund	<u>48.4</u>	<u>100.7</u>	<u>96.1</u>	<u>(4.6)</u>	-4.6%
Total Current Funds Expenditures/Transfers	\$505.5	\$1033.2	\$1031.0	(\$2.3)	-0.2%

Net Gain (Loss)²	<u>\$6.5</u>	<u>(\$4.6)</u>	<u>(\$0.0)</u>	<u>\$4.6</u>
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¹ The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format. The current funds format shows gross student tuition and fees and does not net out scholarship allowances, as required in the financial statements which are prepared in the GASB Nos. 34/35 format. Scholarship allowances are shown as an expense item. In addition, the University's current funds format includes equipment purchases as an expense, does not include depreciation or amortization and does not include the State debt service commitment for principal and interest.

² The University had a budgeted net loss of \$4.6 million for the fiscal year ended June 30, 2012, which entailed using prior year fund balances to fund an over commitment in financial aid of \$2.0 million and Research Fund expenditures of \$2.6 million.



***University of Connecticut
Storrs & Regional Campuses***

***Interim Financial Statements
for the Six Months Ended
December 31, 2011***

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF NET ASSETS
As of December 31, 2011 and 2010 and June 30, 2011
UNAUDITED

(\$ in thousands)

ASSETS	December 31, 2011	December 31, 2010	June 30, 2011
Current Assets			
Cash and cash equivalents	\$ 282,446	\$ 264,119	\$ 275,129
Accounts receivable, net	23,840	27,622	34,033
Student loans receivable, net	1,864	2,269	1,864
Due from State of Connecticut	74,465	68,954	44,319
State debt service commitment	92,725	90,425	83,409
Inventories	3,857	3,343	3,857
Deposit with bond trustee	214,676	106,286	53,730
Deferred charges	809	764	787
Prepaid expenses	1,272	1,894	3,503
Total Current Assets	695,954	565,676	500,631
Noncurrent Assets			
Cash and cash equivalents	1,356	1,355	1,356
Investments	10,695	9,808	10,686
Student loans receivable, net	11,227	10,703	10,481
State debt service commitment	903,550	804,310	735,015
Property and equipment, net	1,403,811	1,395,242	1,399,263
Deferred charges	8,273	7,816	7,481
Total Noncurrent Assets	2,338,912	2,229,234	2,164,282
Total Assets	\$ 3,034,866	\$ 2,794,910	\$ 2,664,913
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 29,324	\$ 26,228	\$ 27,691
Deferred income	51,286	55,690	24,777
Wages payable	36,631	36,349	55,635
Compensated absences	21,771	20,473	21,771
Due to the State of Connecticut	12,735	27,659	16,984
Due to affiliate	61,879	22,842	6,823
Due to related agencies	10	7	-
Current portion of long-term debt and bonds payable	94,180	84,422	80,589
Other current liabilities	31,190	33,541	31,653
Total Current Liabilities	339,006	307,211	265,923
Noncurrent Liabilities			
Compensated absences	12,696	10,714	12,696
Deposits held for others	7,171	3,800	2,362
Long-term debt and bonds payable	1,161,718	1,052,835	978,061
Refundable for federal loan program	10,516	9,420	10,516
Total Noncurrent Liabilities	1,192,101	1,076,769	1,003,635
Total Liabilities	\$ 1,531,107	\$ 1,383,980	\$ 1,269,558
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,130,124	\$ 1,135,478	\$ 1,144,923
Restricted nonexpendable	11,901	11,013	11,892
Restricted expendable			
Research, instruction, scholarships and other	14,677	15,819	17,915
Loans	2,932	4,021	2,818
Capital projects	161,180	82,924	35,204
Debt service	8,146	7,827	7,229
Unrestricted (see Note 7)	174,799	153,848	175,374
Total Net Assets	\$ 1,503,759	\$ 1,410,930	\$ 1,395,355

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Six Months Ended December 31, 2011 and 2010 and the Year Ended June 30, 2011
UNAUDITED

(\$ in thousands)

OPERATING REVENUES	December 31, 2011	December 31, 2010	June 30, 2011
Student tuition and fees (Net of scholarship allowances of \$55,167 for December 31, 2011, \$55,028 for December 31, 2010 and \$109,106 for June 30, 2011)	\$ 125,376	\$ 116,970	\$ 233,881
Federal grants and contracts	61,525	64,463	125,798
State and local grants and contracts	10,322	13,091	27,390
Nongovernmental grants and contracts	5,898	6,565	11,367
Sales and services of educational departments	7,076	6,605	16,161
Sales and services of auxiliary enterprises (Net of scholarship allowances of \$1,638 for December 31, 2011, \$1,725 for December 31, 2010 and \$3,240 for June 30, 2011)	92,236	84,606	173,133
Other sources	2,520	6,081	11,808
Total Operating Revenues	304,953	298,381	599,538
OPERATING EXPENSES			
Educational and general			
Instruction	145,435	145,273	292,203
Research	34,704	37,122	74,481
Public service	19,087	20,200	41,470
Academic support	49,104	50,028	98,393
Student services	19,694	19,988	39,755
Institutional support	43,847	45,667	88,650
Operations and maintenance of plant	32,716	36,195	71,365
Depreciation and amortization	43,417	44,416	90,335
Student aid	2,573	2,314	5,490
Auxiliary enterprises	80,432	76,700	154,516
Other operating expenses	5,535	7,461	19,740
Total Operating Expenses	476,544	485,364	976,398
Operating Loss	(171,591)	(186,983)	(376,860)
NONOPERATING REVENUES (EXPENSES)			
State appropriation	144,437	166,779	328,951
State debt service commitment for interest	18,459	20,958	39,978
Transfer to State General Fund	-	(15,000)	(15,000)
Gifts	5,503	5,810	21,168
Investment income	572	564	1,020
Interest expense	(22,408)	(25,409)	(48,824)
Other nonoperating expenses, net	(553)	(574)	(297)
Net Nonoperating Revenues	146,010	153,128	326,996
Loss Before Other Changes in Net Assets	(25,581)	(33,855)	(49,864)
OTHER CHANGES IN NET ASSETS			
State debt service commitment for principal	115,400	-	-
Capital appropriation	18,000	-	(479)
Capital grants and gifts	671	592	1,989
Disposal of property and equipment, net	(86)	(134)	(618)
Net Other Changes in Net Assets	133,985	458	892
Increase (Decrease) in Net Assets	108,404	(33,397)	(48,972)
NET ASSETS			
Net Assets-beginning of year	1,395,355	1,444,327	1,444,327
Net Assets-end of year	\$ 1,503,759	\$ 1,410,930	\$ 1,395,355

**Notes to Interim Financial Statements
For the Six Months Ended December 31, 2011 and 2010 and
the Year Ended June 30, 2011**

1. RELATED ENTITIES

This financial report for the six months ended December 31, 2011 and 2010 and the year ended June 30, 2011 represents the transactions and balances of the University of Connecticut (University), herein defined as all programs except the University of Connecticut Health Center (Health Center). Two related, but independent, corporate entities support the mission of the University: The University of Connecticut Foundation, Inc. (Foundation) and The University of Connecticut Law School Foundation, Inc. (Law School Foundation). The Foundation raises funds to promote, encourage, and assist education and research at both the University and the Health Center, while the Law School Foundation, with similar objectives, supports only the University. The Law School Foundation, which is organized for the benefit of the University and whose economic resources can only be used by or for the benefit of the University, is included as a component with the University with its annual report. While shown as a component unit in the June 30, 2011 financial report, it is not included with the financial statements for the six months ended December 31, 2011 and 2010. The Foundation materially supports the mission of the University and the Health Center, which are both separately audited, producing their own financial statements. Displaying the Foundation's financial statements as a component unit of either the University or the Health Center would distort its actual contribution or economic benefit to that entity, and therefore, the Foundation is not included as a component unit in the accompanying financial statements.

2. INTERIM FINANCIAL STATEMENT PRESENTATION

The Statements of Net Assets as of December 31, 2011 and 2010 and the Statements of Revenues, Expenses, and Changes in Net Assets for the six months ended December 31, 2011 and 2010 are prepared on the same basis as the June 30, 2011 statements except for the items listed below.

- (1) No physical inventory of consumable supplies is completed as of December 31 and therefore the amount on the Statement of Net Assets has not been changed since June 30 of the respective years.
- (2) Current student loans receivable, net is adjusted only at June 30.
- (3) The fair value adjustments for endowments invested by the Foundation are adjusted only at June 30.
- (4) Compensated absences are calculated only at June 30; therefore, the amount on the Statements of Net Assets for compensated absences has not changed since June 30 of the respective years.
- (5) The liability, refundable for federal loan program, is adjusted only at June 30.
- (6) Waived tuition related to employees and their dependents is included only at June 30 as fringe benefit cost and tuition revenue in the Statement of Revenues, Expenses and Changes in Net Assets only at June 30.
- (7) Depreciation and amortization is calculated for most assets and estimated for certain assets at December 31. Since buildings are only capitalized in June of each year no depreciation has been included for any new buildings that may have been completed as of December 31.

3. PROPERTY AND EQUIPMENT

The following table describes the changes in property and equipment for the six months ended December 31, 2011 and 2010 and the year ended June 30, 2011 (amounts in thousands).

Changes in Property and Equipment for the Six Months Ended December 31, 2011:

	Balance July 1, 2011	Additions	Retirements	Transfers and other	Balance December 31, 2011
<u>Property and equipment:</u>					
Land	\$ 14,676	\$ -	\$ (4)	\$ -	\$ 14,672
Non-structural improvements	205,766	365	-	-	206,131
Buildings	1,643,933	2,673	-	-	1,646,606
Equipment	396,841	11,557	(11,999)	-	396,399
Construction in progress	83,433	33,637	-	-	117,070
Total property and equipment	2,344,649	48,232	(12,003)	-	2,380,878
<u>Less accumulated depreciation and amortization:</u>					
Non-structural improvements	99,318	3,840	-	-	103,158
Buildings	619,902	27,564	-	-	647,466
Equipment	226,166	12,013	(11,736)	-	226,443
Total accumulated depreciation and amortization	945,386	43,417	(11,736)	-	977,067
<u>Property and equipment, net:</u>					
Land	14,676	-	(4)	-	14,672
Non-structural improvements	106,448	(3,475)	-	-	102,973
Buildings	1,024,031	(24,891)	-	-	999,140
Equipment	170,675	(456)	(263)	-	169,956
Construction in progress	83,433	33,637	-	-	117,070
Property and equipment, net:	\$ 1,399,263	\$ 4,815	\$ (267)	\$ -	\$ 1,403,811

Changes in Property and Equipment for the Six Months Ended December 31, 2010:

	Balance July 1, 2010	Additions	Retirements	Transfers and other	Balance December 31, 2010
<u>Property and equipment:</u>					
Land	\$ 14,826	\$ -	\$ -	\$ -	\$ 14,826
Non-structural improvements	196,282	993	-	-	197,275
Buildings	1,618,618	5,804	-	-	1,624,422
Equipment	428,736	9,035	(47,678)	-	390,093
Construction in progress	45,330	26,431	-	-	71,761
Total property and equipment	2,303,792	42,263	(47,678)	-	2,298,377
<u>Less accumulated depreciation and amortization:</u>					
Non-structural improvements	91,805	3,826	-	-	95,631
Buildings	565,315	27,713	-	-	593,028
Equipment	249,143	12,877	(47,544)	-	214,476
Total accumulated depreciation and amortization	906,263	44,416	(47,544)	-	903,135
<u>Property and equipment, net:</u>					
Land	14,826	-	-	-	14,826
Non-structural improvements	104,477	(2,833)	-	-	101,644
Buildings	1,053,303	(21,909)	-	-	1,031,394
Equipment	179,593	(3,842)	(134)	-	175,617
Construction in progress	45,330	26,431	-	-	71,761
Property and equipment, net:	\$ 1,397,529	\$ (2,153)	\$ (134)	\$ -	\$ 1,395,242

Changes in Property and Equipment for the Year Ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Transfers and other	Balance June 30, 2011
<u>Property and equipment:</u>					
Land	\$ 14,826	\$ -	\$ (150)	\$ -	\$ 14,676
Non-structural improvements	196,282	5,371	(188)	4,301	205,766
Buildings	1,618,618	15,318	(1,507)	11,504	1,643,933
Equipment	428,736	18,485	(50,380)	-	396,841
Construction in progress	45,330	53,908	-	(15,805)	83,433
Total property and equipment	2,303,792	93,082	(52,225)	-	2,344,649
<u>Less accumulated depreciation and amortization:</u>					
Non-structural improvements	91,805	7,701	(188)	-	99,318
Buildings	565,315	55,611	(1,024)	-	619,902
Equipment	249,143	27,023	(50,000)	-	226,166
Total accumulated depreciation and amortization	906,263	90,335	(51,212)	-	945,386
<u>Property and equipment, net:</u>					
Land	14,826	-	(150)	-	14,676
Non-structural improvements	104,477	(2,330)	-	4,301	106,448
Buildings	1,053,303	(40,293)	(483)	11,504	1,024,031
Equipment	179,593	(8,538)	(380)	-	170,675
Construction in progress	45,330	53,908	-	(15,805)	83,433
Property and equipment, net:	\$ 1,397,529	\$ 2,747	\$ (1,013)	\$ -	\$ 1,399,263

4. LONG-TERM DEBT PAYABLE

Long-term debt activity, including refunding of debt, for the six months ended December 31, 2011 and 2010 and the year ended June 30, 2011 was as follows (amounts in thousands):

Long-term Debt Activity for the Six Months Ended December 31, 2011:

	Balance July 1, 2011	Additions	Retirements	Balance December 31, 2011	Current portion
General obligation bonds	\$ 804,310	\$ 211,635	\$ (33,735)	\$ 982,210	\$ 78,660
Revenue bonds	159,290	-	(3,125)	156,165	7,250
Self liquidating bonds	2,953	-	-	2,953	781
Installment loans	150	1,840	(44)	1,946	437
Obligation under capital lease for Cogeneration	66,098	-	(1,638)	64,460	3,389
Total long-term debt	1,032,801	213,475	(38,542)	1,207,734	90,517
Premiums/discounts/debt difference due to refunding	25,849	24,663	(2,348)	48,164	3,663
Total long-term debt, net	<u>\$ 1,058,650</u>	<u>\$ 238,138</u>	<u>\$ (40,890)</u>	<u>\$ 1,255,898</u>	<u>\$ 94,180</u>

Long-term Debt Activity for the Six Months Ended December 31, 2010:

	Balance July 1, 2010	Additions	Retirements	Balance December 31, 2010	Current portion
General obligation bonds	\$ 877,492	\$ -	\$ -	\$ 877,492	\$ 73,182
Revenue bonds	164,375	-	(3,185)	161,190	5,025
Self liquidating bonds	3,793	-	-	3,793	840
Installment loans	241	-	(47)	194	89
Obligation under capital lease for Cogeneration	69,267	-	(1,567)	67,700	3,241
Campus Associates Limited Partnership loan	12	-	(12)	-	-
Total long-term debt	1,115,180	-	(4,811)	1,110,369	82,377
Premiums/discounts/debt difference due to refunding	27,956	-	(1,068)	26,888	2,045
Total long-term debt, net	<u>\$ 1,143,136</u>	<u>\$ -</u>	<u>\$ (5,879)</u>	<u>\$ 1,137,257</u>	<u>\$ 84,422</u>

Long-term Debt Activity for the Year Ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Current portion
General obligation bonds	\$ 877,492	\$ -	\$ (73,182)	\$ 804,310	\$ 69,295
Revenue bonds	164,375	-	(5,085)	159,290	5,120
Self liquidating bonds	3,793	-	(840)	2,953	781
Installment loans	241	-	(91)	150	89
Obligation under capital lease for Cogeneration	69,267	-	(3,169)	66,098	3,314
Campus Associates Limited Partnership loan	12	-	(12)	-	-
Total long-term debt	1,115,180	-	(82,379)	1,032,801	78,599
Premiums/discounts/debt difference due to refunding	27,956	-	(2,107)	25,849	1,990
Total long-term debt, net	\$ 1,143,136	\$ -	\$ (84,486)	\$ 1,058,650	\$ 80,589

5. DEFERRED INCOME

Deferred income is comprised of: tuition, fees and auxiliary enterprises revenues received in advance of services rendered for winter and spring sessions; certain restricted research grants that are not included in revenue until the funds are expended; athletic ticket sales and commitments received in advance of the season; and other revenues received but not earned.

6. CONTINGENCIES

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of the majority of these matters will not have a material effect on the University's financial statements. However, there are four outstanding matters of potential individual significance. With respect to three of these matters, the claimants seek in the aggregate of approximately \$30.0 million; the State expects these matters to be resolved for less than that amount. With respect to the remaining matter, the claimant has not articulated a demand.

7. UNRESTRICTED NET ASSETS

The University adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, for external reporting purposes, which requires net assets to be classified for accounting and reporting purposes into one of three net asset categories. Unrestricted net assets, as defined by the GASB, are not subject to externally imposed stipulations; however, they are subject to internal restrictions. For example, unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are internally designated for academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.