

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

February 27, 2013



***FY12 Closeout
and
FY13 Six Month Update***

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University of Connecticut Health Center

FY 2012 Budget Review

The following narrative provides information on the main drivers of the University of Connecticut Health Center financial results for Fiscal 2012.

- **Executive Summary** - Fiscal Year 2012 ended with a deficiency of revenue over expenses of \$0.3 million, compared to a budgeted deficiency of \$4.2 million, for a favorable variance of \$3.9 million. The actual reflects a reduction in State Support of \$1.5 million. Also, the John Dempsey Hospital had a positive budget variance of \$3.3 million driven by the favorable variance in Net Patient revenue of \$6.5 million due to favorable contract negotiations.

- **Total Revenue** – For the year ended June 30, 2012, total Revenue including total “State Support” was \$784.3 million. Total Revenue was below budget projections by \$5.5 million or 0.7%. The budget variance was mainly due to the Correctional Managed Health Care program which was under budget by \$5.1 million. Details and other variances are:
 - **Net Patient Revenue** – For the year ended June 30, 2012, Net Patient Revenue was greater than budget by \$0.8 million. The variances by unit are:
 - JDH - \$6.5 million above budget. Outpatient equivalents were favorable to budget by 380 cases (3.4%). This was offset by Inpatient discharges that were unfavorable to the budget plan by 920 cases (9.7%) and are below last year by 689 cases (7.4%).
 - UMG - \$6.7 million below budget. Both volume and revenue per visit were down in FY 2012. This was mainly due to Physician vacancies spread throughout UMG specialties.
 - Other revenue generating areas were \$1.0 million above budget.

 - **Correctional Managed Health Care** – Revenues from the Correctional Managed Health Care program are recorded based on program expenditures. Expenditures for FY 2012 were under budget by \$5.1 million and the corresponding revenue is also under budget by the same amount.

 - **Gifts, Grants & Contracts** – The favorable variance of \$2.4 million was reflective of multiple gifts and donations made to the Health Center exceeding budget by \$2.4 million.

 - **Total State Support** – The State appropriation for FY 2012 totaled \$153.4 million and was \$1.5 million under budget due to a reduction in the block grant by the State of \$1.2 million.

- **Total Expenditures** – For the year ended June 30, 2012, total Expenditures were below budgeted amounts by \$9.4 million or 1.2%. The following are variances for categories of expense:
 - **Personal Services and Fringe Benefits** – For the year ended June 30, 2012, Personal Services were greater than budget by \$6.1 million. Fringe Benefit expenditures were also greater than budget by \$5.1 million or 4.5%. This was due to the increase staff coverage for the Hospital associated with the increase in net patient revenue noted above.
 - **Drugs and Medical** – For the year ended June 30, 2012, drugs and medical supplies were below budget by \$5.1 million or 7.9%. Drug expenses were unfavorable by \$1.2 million or 6.5%. Expenses were greater than budget due to the increased outpatient volume. Medical supplies were below budget by \$6.3 million or 10.2%. 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, 2012, expenditures were below budget by about \$4.0 million or 8.1%. This was mainly due to less spending associated with Grants and Contracts which is offset by the reduction in revenue noted above and spending cuts put in place to help offset the reduction in the block grant.
 - **Correctional Managed Health Care** – For the year ended June 30, 2012, the program expenditures were under budget by \$5.1 million or 5.9%. 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 below budget due to the availability of 340b pricing.
- **Net Gain (Loss)** – For the year ended June 30, 2012, the Health Center ended with a net loss (a deficiency of revenue over expenses) of \$0.3 million, compared to a budgeted loss of \$4.2 million, for a favorable variance of \$3.9 million.

University of Connecticut Health Center
Statement of Current Funds Budget Operations and Variance Analysis
FY 2012 Actual
(Dollars in Millions)

Current Funds Revenues:	Budget	Actual	Variance	% Change
State Support	\$154.9	\$153.4	(\$1.5)	
Tuition	17.7	17.5	(0.2)	
Gifts, Grants & Contracts	90.6	93.0	2.4	
Investment Income	0.2	0.2	0.0	
Interns & Residents	53.5	53.8	0.3	
Net Patient Revenue	349.5	350.3	0.8	
Correctional Managed Health Care	92.0	86.9	(5.1)	
Auxiliary Enterprise Education	16.6	14.8	(1.8)	
Other Revenue	<u>14.8</u>	<u>14.4</u>	<u>(0.4)</u>	
Total Current Funds Revenues	\$789.8	\$784.3	(\$5.5)	-0.7%
Current Funds Expenditures / Transfers:				
Personal Services	\$321.8	\$327.9	\$6.1	
Fringe Benefits	108.3	113.4	5.1	
Drugs/Medical Supplies	69.7	64.6	(5.1)	
Medical Contractual Support	16.8	16.4	(0.4)	
Medical/Dental House Staff	44.8	43.4	(1.4)	
Correctional Managed Health Care	92.0	86.9	(5.1)	
Outside Agency Per Diem	1.8	2.4	0.6	
Utilities	15.1	13.2	(1.9)	
Outside & Other Purchases	53.4	49.4	(4.0)	
Insurance	6.8	2.5	(4.3)	
Repairs & Maintenance	9.0	9.1	0.1	
Other Expenses	24.9	23.9	(1.0)	
Depreciation	<u>29.6</u>	<u>31.5</u>	<u>1.9</u>	
Total Current Funds Expenditures / Transfers	\$794.0	\$784.6	(\$9.4)	-1.2%
Net Gain (Loss)	<u>(\$4.2)</u>	<u>(\$0.3)</u>	<u>\$3.9</u>	

**Consolidated Financial Reports
Financial Update & Highlights**

TO: Members, Board of Trustees
FROM: John M. Biancamano, Chief Financial Officer
DATE: February 1, 2013
SUBJECT: **Unaudited FY 2013 Financial Results for the 6 month period ending December 31, 2012.**

Introduction:

The following provides highlights for the results of operations for the six months ending December 31, 2012:

The Loss for the Fiscal Year is \$5.6 million as compared to a budgeted loss of \$240,000 for an unfavorable variance of \$5.3 million. 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 \$2.0 million year-to-date. The variance is primarily attributed to the School of Medicine.

Year to date significant highlights include:

- The School of Medicine total expenses were favorable to budget by \$1.8 million (2.3%) primarily due to \$1.3 million reduction in Medical/Dental House Staff expenses related to the contract with the Capital Area Health Consortium. School of Medicine revenues were favorable to budget by \$124,000 (0.3%)
- The School of Dental Medicine including University Dentists and the Dental Implant Center results of operations were unfavorable to budget by \$356,000 primarily due to clinical activity in University Dentists and the Dental Implant Center.
- Research results of operations are favorable to budget by \$1.4 million. Research revenues are \$2.2 million favorable to budget. This is offset by other expenses (Sub-contracts) over budget by \$1.2 million.
- Institutional support results of operations were unfavorable to budget by \$899,000 (2.5%), primarily due to higher than budgeted rates for fringe benefits and Outside and other Purchase Services related to Bioscience CT projects.

Clinical

The clinical operations year to date combined loss was \$18.8 million compared to a budget loss of \$11.9 million. Summary analysis of revenues and expenses are in the following pages.

John Dempsey Hospital

Results of Operations

Year-to-date the loss is \$6.2 million compared to a budgeted loss of \$4.3 million, for an unfavorable variance of \$1.9 million. The loss for the same period prior year was \$6.7 million. The year-to-date unfavorable variance was driven by revenue resulting from unfavorable inpatient volume and patient discharges 6.4% under budget. Other significant highlights include:

	Year - to - Date						
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>	<u>Prior Year</u>	<u>Variance</u>	<u>Percent</u>
John Dempsey Hospital (in thousands)							
JDH Excess of Revenues over Expenses/ (Deficiency)	(\$6,202)	(\$4,256)	(\$1,946)	-45.7%	(\$6,680)	\$478	7.2%
JDH Operating Margin	-4.2%	-2.8%	0.2%	29.8%	-4.7%	0.5%	-11.3%
Inpatient Discharges	4,122	4,403	(281)	-6.4%	4,278	(156)	-3.6%
Outpatient Equivalents	5,825	5,758	67	1.2%	5,468	357	6.5%
Net Revenue per Adjusted Discharge	\$13,792	\$13,937	(\$145)	-1.0%	\$13,990	(\$198)	-1.4%
Cost per Adjusted Discharge	\$15,439	\$15,311	\$128	0.8%	\$14,038	\$1,401	10.0%
Days Revenue in Accounts Receivable	44	42	2	4.8%	42	2	4.8%
Case Mix Index	1.4028	1.4287	(0.0259)	-1.8%	1.3974	0.0054	0.4%

UConn Medical Group

Results of Operations

Year-to-date the deficit is \$12.6 million compared to a budgeted deficit of \$7.6 million, for an unfavorable variance of \$5.0 million. The deficit for the same period prior year was \$9.9 million an unfavorable change of \$2.7 million. Other significant highlights include:

	Year - to - Date						
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>	<u>Prior Year</u>	<u>Variance</u>	<u>Percent</u>
University Medical Group (in thousands)							
Excess of Revenues over Expenses/ (Deficiency)	(\$12,633)	(\$7,622)	(\$5,011)	65.7%	(\$9,885)	(\$2,747)	-27.8%
Operating Margin	-30.4%	-16.8%	-13.6%	80.7%	-25.5%	-4.93%	-19.4%
RVU's	418,831	441,643	(22,812)	-5.2%	396,726	22,105	5.6%
Net Revenue Per RVU	\$87.87	\$92.74	(\$4.87)	-5.2%	\$87.69	\$0.19	0.2%
Cost per RVU	\$129.37	\$119.85	\$9.52	7.9%	\$122.76	\$6.61	5.4%
Days Revenue in Accounts Receivable	50	45	5	11.1%	45	5	11.1%



University of Connecticut Health Center

Consolidated Statement of Revenues and Expenses (without Eliminations)

	Consolidated UConn Health Center YTD December 2012			Consolidated UConn Health Center YTD December 2011			
	Actual	Budget	Variance	Percent Variance	Actual	Variance	Percent Variance
Revenues:							
Tuition	\$ 9,133,560	\$ 9,264,793	\$ (131,233)	-1.4%	\$ 8,941,193	\$ 192,367	2.2%
Research Grants and Contracts	44,201,248	42,057,357	2,143,890	5.1%	39,548,613	4,652,635	11.8%
Auxiliary Enterprises	7,209,765	8,277,099	(1,067,333)	-12.9%	7,905,812	(696,047)	-8.8%
Internal Income	42,878,376	42,827,418	50,958	0.1%	39,559,420	3,318,956	8.4%
Interns and Residents	26,871,242	27,330,475	(459,233)	-1.7%	26,375,940	495,302	1.9%
Net Patient Care	174,883,982	183,725,334	(8,841,352)	-4.8%	170,528,302	4,355,680	2.6%
Correctional Managed Health Care	40,225,970	43,062,807	(2,836,837)	-6.6%	43,128,752	(2,902,782)	-6.7%
Gifts & Endowment Income	3,516,587	3,126,440	390,147	12.5%	3,638,885	(122,298)	-3.4%
Investment Income	113,511	73,850	39,661	53.7%	73,850	39,661	53.7%
Other Income	8,696,695	8,900,743	(204,049)	-2.3%	6,440,715	2,255,980	35.0%
Total Revenues	\$ 357,730,935	\$ 368,646,316	\$ (10,915,381)	-3.0%	\$ 346,141,481	\$ 11,589,454	3.3%
Expenses:							
Personal Services	\$ 169,631,693	\$ 168,294,110	\$ 1,337,583	0.8%	\$ 163,559,926	\$ 6,071,767	3.7%
Fringe Benefits	69,327,890	67,649,395	1,678,495	2.5%	59,218,971	10,108,919	17.1%
Medical Contractual Support	10,379,128	9,649,270	729,858	7.6%	8,505,118	1,874,011	22.0%
Internal Contractual Support	11,755,833	11,901,391	(145,558)	-1.2%	10,721,893	1,033,941	9.6%
Medical/Dental House Staff	29,432,237	32,564,441	(3,132,204)	-9.6%	31,024,044	(1,591,806)	-5.1%
Correctional Managed Healthcare	40,225,970	43,062,807	(2,836,837)	-6.6%	43,128,752	(2,902,782)	-6.7%
Outside Agency Per Diems	1,286,967	980,374	306,593	31.3%	1,020,981	265,986	26.1%
Drugs	8,868,697	9,278,954	(410,257)	-4.4%	10,522,013	(1,653,316)	-15.7%
Medical Supplies	21,981,408	23,044,219	(1,062,810)	-4.6%	20,452,443	1,528,966	7.5%
Utilities	6,358,866	7,374,985	(1,016,119)	-13.8%	6,735,073	(376,206)	-5.6%
Outside & Other Purchased Services	44,065,740	44,972,853	(907,113)	-2.0%	41,761,273	2,304,467	5.5%
Insurance	3,498,131	3,591,068	(92,937)	-2.6%	3,568,603	(70,472)	-2.0%
Repairs & Maintenance	6,604,467	7,918,357	(1,313,890)	-16.6%	6,834,055	(229,588)	-3.4%
Other Expenses	12,413,714	11,335,547	1,078,168	9.5%	10,388,698	2,025,016	19.5%
Depreciation	16,145,293	16,330,441	(185,148)	-1.1%	14,686,213	1,459,080	9.9%
Total Expenses	\$ 451,976,036	\$ 457,948,213	\$ (5,972,177)	-1.3%	\$ 432,128,054	\$ 19,847,982	4.6%
Excess/(Deficiency) of Revenues over Expenses Prior to State Appropriations	\$ (94,245,101)	\$ (89,301,897)	\$ (4,943,204)	5.5%	\$ (85,986,573)	\$ (8,258,528)	9.6%
State Appropriation-Block Grant	\$ 56,203,312	\$ 56,796,327	\$ (593,015)	-1.0%	\$ 54,834,789	\$ 1,368,523	2.5%
State Supported Fringe Benefits and Other Adjustments	32,452,627	32,265,961	186,666	0.6%	28,244,738	4,207,889	14.9%
Excess/(Deficiency)	\$ (5,589,162)	\$ (239,609)	\$ (5,349,553)	2232.6%	\$ (2,907,046)	\$ (2,682,116)	92.3%

University of Connecticut (Storrs & Regional Campuses) – FY12

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2012

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, 2012 reflects audited figures.

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

The University ended the year with an unrestricted Operating Budget gain of \$2.2 million (Operating Fund \$2.4 million and Research Fund (\$0.2) million) and a restricted gain of \$1.7 million (Operating Fund \$1.1 million and Research Fund \$0.6 million). The Operating Fund unrestricted net gain of \$2.4 million was more than anticipated primarily due to higher student enrollment than budgeted, fewer faculty hires, and significant energy savings. 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	\$2.4	(\$0.2)	\$2.2
Restricted	<u>1.1</u>	<u>0.6</u>	<u>1.7</u>
Total	\$3.5	\$0.4	\$3.9

Revenues - Operating Fund

Total **Operating Fund** revenue collections for Fiscal Year 2012 were \$934.5 million which represented 100.4% of the annual budget. A major source of revenue, **State Support**, consisted of a \$198.2 million appropriation and a fringe benefit allotment of \$84.2 million. 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 was less than budget at year-end due to this rescission and positive adjustments to the accrual. State Support represented 30.2% of total Operating Fund receipts for the year.

Tuition collections were the second largest source of revenue, totaling \$259.9 million, which represented 27.8% of total Operating Fund receipts. Tuition receipts were 101.5% of the annual amount budgeted (\$256.1 million). Tuition revenue collections reflected a 2.4% rate increase coupled with a 2.9% increase in the number of undergraduate degree-seeking students who accounted for approximately 86.5% of tuition revenues. Overall enrollment was 1.2% higher than budgeted resulting in actual tuition revenue 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 in this category is the General University Fee, which primarily supports Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. Fee collections were \$97.0 million or 99.3% of the amount budgeted.

University of Connecticut (Storrs & Regional Campuses) – FY12

Auxiliary Enterprise Revenue for Fiscal Year 2012 was \$185.0 million which represented 100.8% of the annual budgeted amount. This was primarily due to a greater amount of students housed and more meal plans than anticipated. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 2.5% (\$139.1 million) and Athletic Department receipts (\$34.9 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 2012, Gifts, Grants and Contracts revenue of \$86.4 million, which included \$21.6 million from the UConn Foundation, was 99.9% of the annual budget. This category was essentially on budget.

Investment Income for Fiscal Year 2012 was \$0.8 million. Interest rates in the State Treasurer’s STIF were 0.12% by the end of the fiscal year. The average interest rate for Fiscal Year 2012 was 0.16% compared to 0.23% for Fiscal Year 2011.

Sales and Services of Educational Activities and Other Sources revenue totaled \$23.1 million and were ahead of budget primarily 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. Research Fund revenues were \$97.8 million and represented 99.8% of the amount budgeted. In Fiscal Year 2011, Research Fund revenues totaled \$97.3 million and represented 102.6% of the amount budgeted. This category was less than budget at year-end due to less research activity.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for Fiscal Year 2012 were \$890.5 million or 98.5% of the annual budgeted amount. Fiscal Year 2011 reflected expenditures of 101.7% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	98.7%
Fringe Benefits	98.6%
Other Expenses	97.9%
Equipment	92.3%
Student Aid	99.2%

Personal Services/Fringe Benefits represented 98.7% of the annual budgeted amount of \$572.7 million. While the UCPEA and Classified employees received unbudgeted wage increases for the first four pay periods, the total number of staff was less than expected. The official full-time faculty count (based on IPEDS federal reporting standards) was 26 more than the prior year. Due to limited strategic hiring and the amount of time it takes to refill positions, especially faculty, this category was under budget.

University of Connecticut (Storrs & Regional Campuses) – FY12

Other Expenses (including energy costs) were \$188.7 million for the fiscal year and represented 97.9% of the amount budgeted. Energy expenditures were significantly below budget for the year due to favorable gas prices and a mild winter.

Equipment expenditures of \$15.5 million were 92.3 % of the amount budgeted. This category was less than expected due to decreased spending in both academic and auxiliary areas.

Student Aid expenditures were \$121.1 million and represented 99.2% of the amount budgeted. The Fiscal Year 2012 financial aid budget was \$5.8 million more than we originally intended due to an anticipated significant change in continuing student demand. This category was under budget for the year because the change in continuing student demand was less than expected.

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 \$40.6 million or \$12.3 million greater than budgeted at year-end due to additional funds transferred to Plant for various construction projects. Also, Transfers were greater than budget at year-end as transfers-in from other Funds were less than budgeted.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$97.4 million and represented 96.8% of the budgeted amount. In Fiscal Year 2011, Research Fund expenditures and transfers totaled \$99.5 million and represented 104.9% of the budgeted amount. This category was 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) was up 1.7% from fall 2010 and undergraduate enrollment (degree and non-degree) was up 2.7%. The budget was based on lower enrollment levels.

Fund Balance

The University had a combined net gain of \$3.9 million for the fiscal year ended June 30, 2012, which was comprised of a \$2.2 million unrestricted net gain and a \$1.7 million restricted net gain. This resulted in a Current Funds Unrestricted Fund Balance of \$73.2 million. The unrestricted fund balance represents 8.0% of the Fiscal Year 2013 unrestricted expenditure budget (\$919.1 million) or, alternatively stated, 29 days' worth of operations.

The \$73.2 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

University of Connecticut (Storrs & Regional Campuses) – FY12

from the fund balance to pay our bills when necessary. For example, in 2010 the Governor requested fund balances of \$3 million and then another \$5 million from us during the 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, and Student Health Services. 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 most projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue. Another large project included in plant funds is the water reclamation project. The total cost of the project was budgeted at \$29 million and the balance at fiscal year-end was approximately \$18 million. This project started in June 2011 with substantial completion expected by December 2012.

The FY12 unrestricted net assets of \$171.2 million consists of \$73.2 million current funds balance, \$72.8 million in unexpended plant funds and \$25.2 million in funds that are internally restricted for the retirement of indebtedness. Note that in FY12, there was a planned drawdown of debt reserves bringing the debt reserve to 1.26 times the annual debt payment. This is down from 1.76. The FY13 budget includes maintaining these debt reserves at 1.26 times our annual debt payments.

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

FY12 Actual
(Dollars in Millions)

Current Funds Revenues:	Budget	Actual	Variance	% Change
Operating Fund				
State Support	\$284.2	\$282.4	(\$1.8)	
Tuition	256.1	259.9	3.8	
Fees	97.7	97.0	(0.7)	
Grants & Contracts	63.6	64.8	1.2	
Foundation	22.8	21.6	(1.2)	
Investment Income	0.7	0.8	0.1	
Sales & Service Education	16.1	17.3	1.2	
Auxiliary Enterprise Revenue	183.6	185.0	1.4	
Other Revenue	<u>5.7</u>	<u>5.8</u>	<u>0.1</u>	
Total Operating Fund	\$930.5	\$934.6	\$4.1	0.4%
Research Fund	<u>98.1</u>	<u>97.8</u>	<u>(0.3)</u>	-0.3%
Total Current Funds Revenues	\$1,028.6	\$1,032.4	\$3.8	0.4%

Current Funds Expenditures/Transfers:

Operating Fund				
Personal Services	\$419.6	\$414.2	(\$5.4)	
Fringe Benefits	153.1	151.0	(2.1)	
Other Expenses	165.8	167.0	1.2	
Energy	26.9	21.7	(5.2)	
Equipment	16.7	15.5	(1.2)	
Student Financial Aid ²	122.1	121.1	(1.0)	
Transfers	<u>28.3</u>	<u>40.6</u>	<u>12.3</u>	
Total Operating Fund	\$932.5	\$931.1	(\$1.4)	-0.2%
Research Fund	<u>100.7</u>	<u>97.4</u>	<u>(3.3)</u>	-3.3%
Total Current Funds Expenditures/Transfers	\$1,033.2	\$1,028.5	(\$4.7)	-0.5%
Net Gain (Loss)³	(\$4.6)	\$3.9	\$8.5	

Reconciliation to Annual Financial Statements

Addback Current Funds Transfers	\$40.6
Adjustment for Capitalized Items Expensed in Current Funds	(21.5)
Depreciation Expense ⁴	(88.5)
Non-Operating Expense ⁵	23.6
Capital Deductions	<u>135.6</u>
Total Change in Net Assets	\$93.7

Net Assets-Beginning of Year⁶	\$1,395.4
Net Assets-End of Year⁶	\$1,489.1

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 Includes \$3.6 million of student work study expenditures.

³ For the fiscal year ended June 30, 2012, the University had a net gain of \$3.9 million in the Operating (\$3.5 million) and Research Fund (\$0.4 million). Unrestricted \$2.3 million, Restricted \$1.6 million.

⁴ Not budgeted.

⁵ 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.

⁶ Per University Audited Annual Financial Statements.

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2012

Summary

On June 28, 2012, the Board of Trustees approved a Spending Plan for Fiscal Year 2013 which includes \$1,053.9 million of revenue to cover \$1,054.9 million in expenses and transfers. Over the years, the Research Fund balance for use by principal investigators, deans and department heads has grown. It is expected that \$1.0 million of the prior years' accumulation of funds will be spent down in Fiscal Year 2013.

Financial results for the first six months of Fiscal Year 2013 reflected a number of different factors when compared to budget. Actual revenue totaled \$521.3 million or 49.5% of the budget. At the close of December, the University expenditures and transfers totaled \$517.5 million or 49.1% 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.

A more detailed review of the first six months of Fiscal Year 2013 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2013 were \$474.6 million which represented 49.5% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 50.2% of the annual budget. A major source of revenue, **State Support**, consisted of a \$105.4 million appropriation and a fringe benefit allotment of \$45.9 million. State Support represented 51.7% of total Operating Fund receipts for the first six months. On November 28, 2012, the Governor exercised his authority to rescind State Support. The appropriation was reduced by about 5% (\$10.3 million or approximately \$15 million including fringe benefits). Therefore, this category will be under budget for the year.

Tuition collections were the second largest source of revenue, totaling \$137.5 million, which represented 29.0% of total Operating Fund receipts. Tuition receipts were 50.6% of the annual amount budgeted (\$271.6 million). Tuition revenue collections reflect a 5.5% rate increase coupled with a 0.7% decrease in the number of undergraduate degree-seeking students who account for approximately 86.3% of budgeted tuition revenues. Overall enrollment is 0.4% lower than budgeted, but tuition revenue is projected to be on target.

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, Application Fees and Late Payment Fees. The first six months Fee collections were \$50.3 million or 48.1% of the amount budgeted.

University of Connecticut (Storrs & Regional Campuses)

Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2013 was \$91.9 million which represented 49.5% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 3.0%. At year end, this category will be less than budgeted due to fewer students housed, meal plans and Athletic ticket sales 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 2013, Gifts, Grants and Contracts revenue of \$33.8 million, which included \$2.7 million from the UConn Foundation, was 41.4% of the annual budget. This category is expected to be less than budget at year end. While additional federal financial aid funds are expected, the forecast anticipates less funding from the Foundation to support Athletics.

Investment Income for the first two quarters of Fiscal Year 2013 was \$0.2 million. Interest rates continue to be low with the rate for December 2012 at 0.18% which is the same as it was in December 2011. 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 \$9.6 million and are expected to be higher than budget for the year.

Revenues - Research Fund

For the first six months, **Research Fund** revenues were \$46.7 million and represented 49.4% 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 2013 were \$466.8 million or 50.8% of the annual budgeted amount. The spending pattern for the first half of Fiscal Year 2012 reflected expenditures of 49.7% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	50.6%
Fringe Benefits	54.6%
Other Expenses	49.5%
Equipment	46.6%
Student Aid	49.5%

Personal Services/Fringe Benefits represented 51.7% of the annual budgeted amount of \$582.1 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 47 more than the prior year. This category is expected to be over budget at year end due to higher fringe benefit rates than originally budgeted.

Other Expenses (including energy costs) were \$95.7 million for the first six months and represented 49.5% of the amount budgeted. While Energy expenditures are projected to be under budget for the year due to favorable prices and lower usage, this category will be over budget due to higher expenditures than budgeted in Athletics.

University of Connecticut (Storrs & Regional Campuses)

Equipment expenditures of \$8.3 million were 46.6% of the amount budgeted. This category is expected to be under 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 \$62.1 million and represented 49.5% of the amount budgeted. This category is expected to be over budget for the year due to the additional federal funding.

Expenditures - Operating Fund Transfers

Net Transfers for the first two quarters were \$3.3 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. Transfers are expected to be slightly more than budgeted at year-end.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$47.4 million and represented 49.6% of the budgeted amount. In Fiscal Year 2012, Research Fund expenditures and transfers reported in the first six months represented 48.1% 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 research activity.

Enrollment

Total University enrollment for fall 2012 (excluding the Health Center) is down 0.9% from fall 2011 and undergraduate enrollment (degree and non-degree) is down 0.8%.

Fund Balance

The University's budget was projected to have a net loss of \$1.0 million for the fiscal year ended June 30, 2013, which would have resulted in a Current Funds Unrestricted Fund Balance of \$72.2 million (Operating Fund-\$53.6 million; Research Fund-\$18.6 million). This fund balance represented 7.9% of the current year's unrestricted expenditure budget (\$919.1M). At the end of the first six months, we are forecasting a greater net loss at year-end of approximately \$20.8 million which would result in a Current Funds Unrestricted Fund Balance of \$52.4 million or 5.6% 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.

UNAUDITED



University of Connecticut

Interim Financial Report
For the Six Months Ended
December 31, 2012

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF NET ASSETS
As of December 31, 2012 and 2011 and June 30, 2012
UNAUDITED

(\$ in thousands)

ASSETS	December 31, 2012	December 31, 2011	June 30, 2012
Current Assets			
Cash and cash equivalents	\$ 268,603	\$ 282,446	\$ 265,374
Accounts receivable, net	32,004	23,840	33,217
Student loans receivable, net	1,744	1,864	1,744
Due from State of Connecticut	78,496	74,465	52,346
State debt service commitment	90,600	92,725	90,600
Inventories	4,198	3,857	4,198
Deposit with bond trustee	107,492	214,676	160,524
Deferred charges	663	809	785
Prepaid expenses	2,238	1,272	3,515
Total Current Assets	586,038	695,954	612,303
Noncurrent Assets			
Cash and cash equivalents	1,421	1,356	1,420
Investments	10,308	10,695	10,303
Student loans receivable, net	10,526	11,227	10,494
State debt service commitment	828,795	903,550	828,795
Property and equipment, net	1,443,198	1,403,811	1,422,789
Deferred charges	7,288	8,273	7,923
Total Noncurrent Assets	2,301,536	2,338,912	2,281,724
Total Assets	\$ 2,887,574	\$ 3,034,866	\$ 2,894,027
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 35,527	\$ 29,324	\$ 25,867
Deferred income	47,676	51,286	24,809
Deposits held for others	4,280	7,171	2,887
Wages payable	39,586	36,631	40,326
Compensated absences	24,266	21,771	24,266
Due to the State of Connecticut	16,512	12,735	14,570
Due to affiliate	34,404	61,879	48,300
Due to related agencies	5	10	-
Current portion of long-term debt and bonds payable	89,598	94,180	88,372
Other current liabilities	44,308	31,190	33,360
Total Current Liabilities	336,162	346,177	302,757
Noncurrent Liabilities			
Compensated absences	8,740	12,696	8,740
Long-term debt and bonds payable	1,075,822	1,161,718	1,082,351
Refundable for federal loan program	11,076	10,516	11,076
Total Noncurrent Liabilities	1,095,638	1,184,930	1,102,167
Total Liabilities	\$ 1,431,800	\$ 1,531,107	\$ 1,404,924
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,181,328	\$ 1,130,124	\$ 1,155,616
Restricted nonexpendable	11,579	11,901	11,574
Restricted expendable			
Research, instruction, scholarships and other	19,786	14,677	19,536
Loans	2,700	2,932	2,425
Capital projects	74,428	161,180	121,015
Debt service	7,619	8,146	7,737
Unrestricted (see Note 7)	158,334	174,799	171,200
Total Net Assets	\$ 1,455,774	\$ 1,503,759	\$ 1,489,103

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Six Months Ended December 31, 2012 and 2011 and the Year Ended June 30, 2011
UNAUDITED

(\$ in thousands)

OPERATING REVENUES	December 31, 2012	December 31, 2011	June 30, 2012
Student tuition and fees (Net of scholarship allowances of \$57,603 for December 31, 2012, \$55,167 for December 31, 2011 and \$111,139 for June 30, 2012)	\$ 130,223	\$ 125,376	\$ 251,017
Federal grants and contracts	57,865	61,525	124,478
State and local grants and contracts	11,125	10,322	22,078
Nongovernmental grants and contracts	7,570	5,898	13,141
Sales and services of educational departments	6,679	7,076	17,348
Sales and services of auxiliary enterprises (Net of scholarship allowances of \$1,570 for December 31, 2012, \$1,638 for December 31, 2011 and \$3,030 for June 30, 2012)	90,365	92,236	181,974
Other sources	3,169	2,520	6,229
Total Operating Revenues	306,996	304,953	616,265
OPERATING EXPENSES			
Educational and general			
Instruction	154,928	145,435	295,684
Research	33,770	34,704	72,761
Public service	19,088	19,087	39,636
Academic support	52,807	49,104	100,142
Student services	17,853	19,694	39,048
Institutional support	48,459	40,929	79,103
Operations and maintenance of plant	32,530	32,716	64,880
Depreciation and amortization	39,125	43,417	88,478
Student aid	2,928	2,573	6,107
Auxiliary enterprises	79,414	83,350	159,310
Other operating expenses	7,912	5,535	11,644
Total Operating Expenses	488,814	476,544	956,793
Operating Loss	(181,818)	(171,591)	(340,528)
NONOPERATING REVENUES (EXPENSES)			
State appropriation	151,354	144,437	282,370
State debt service commitment for interest	20,999	18,459	39,755
Gifts	3,835	5,503	24,377
Investment income	249	572	898
Interest expense	(27,021)	(22,408)	(47,117)
Other nonoperating expenses, net	(1,273)	(553)	(1,635)
Net Nonoperating Revenues	148,143	146,010	298,648
Loss Before Other Changes in Net Assets	(33,675)	(25,581)	(41,880)
OTHER CHANGES IN NET ASSETS			
State debt service commitment for principal	-	115,400	115,400
Capital allocation	-	18,000	18,000
Capital grants and gifts	404	671	2,768
Disposal of property and equipment, net	(58)	(86)	(540)
Net Other Changes in Net Assets	346	133,985	135,628
Increase (Decrease) in Net Assets	(33,329)	108,404	93,748
NET ASSETS			
Net Assets-beginning of year	1,489,103	1,395,355	1,395,355
Net Assets-end of year	\$ 1,455,774	\$ 1,503,759	\$ 1,489,103

**Notes to Interim Financial Statements
For the Six Months Ended December 31, 2012 and 2011 and
the Year Ended June 30, 2012**

1. RELATED ENTITIES

This financial report for the six months ended December 31, 2012 and 2011 and the year ended June 30, 2012 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, 2012 financial report, it is not included with the financial statements for the six months ended December 31, 2012 and 2011. 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, 2012 and 2011 and the Statements of Revenues, Expenses, and Changes in Net Assets for the six months ended December 31, 2012 and 2011 are prepared on the same basis as the June 30, 2012 statements except for the items listed below.

- (1) No physical inventory of consumable supplies is completed as of December 31st and therefore the amount on the Statement of Net Assets has not been changed since June 30th of the respective years.
- (2) Current student loans receivable, net is adjusted only at June 30th.
- (3) The fair value adjustments for endowments invested by the Foundation are adjusted only at June 30th.
- (4) Compensated absences are calculated only at June 30th; therefore, the amount on the Statements of Net Assets for compensated absences has not changed since June 30th of the respective years.
- (5) The liability, refundable for federal loan program, is adjusted only at June 30th.
- (6) Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. The adjustments related to this requirement were completed at June 30, 2012 and for the prior year at December 31, 2011. The amounts were not adjusted as of December 31, 2012. Typically, adjustments are not completed at December 31st. However, amounts for the six months ended December 31, 2011 were adjusted due to a change in methodology.
- (7) Waived tuition related to employees and their dependents is included only at June 30th as fringe benefit cost and tuition revenue in the Statement of Revenues, Expenses, and Changes in Net Assets only at June 30th.
- (8) Depreciation and amortization is calculated for most assets and estimated for certain assets at December 31st. 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 31st.

3. PROPERTY AND EQUIPMENT

The following table describes the changes in property and equipment for the six months ended December 31, 2012 and 2011 and the year ended June 30, 2012 (amounts in thousands).

Changes in Property and Equipment for the Six Months Ended December 31, 2012:

	Balance July 1, 2012	Additions	Retirements	Transfers and other	Balance December 31, 2012
<u>Property and equipment:</u>					
Land	\$ 14,657	\$ -	\$ -	\$ -	\$ 14,657
Non-structural improvements	217,567	26	-	-	217,593
Buildings	1,708,888	16,688	-	-	1,725,576
Equipment	396,662	11,243	(1,860)	-	406,045
Construction in progress	91,471	31,645	-	-	123,116
Total property and equipment	2,429,245	59,602	(1,860)	-	2,486,987
<u>Less accumulated depreciation and amortization:</u>					
Non-structural improvements	107,079	2,661	-	-	109,740
Buildings	673,778	25,129	-	-	698,907
Equipment	225,599	11,335	(1,792)	-	235,142
Total accumulated depreciation and amortization	1,006,456	39,125	(1,792)	-	1,043,789
<u>Property and equipment, net:</u>					
Land	14,657	-	-	-	14,657
Non-structural improvements	110,488	(2,635)	-	-	107,853
Buildings	1,035,110	(8,441)	-	-	1,026,669
Equipment	171,063	(92)	(68)	-	170,903
Construction in progress	91,471	31,645	-	-	123,116
Property and equipment, net:	\$ 1,422,789	\$ 20,477	\$ (68)	\$ -	\$ 1,443,198

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 Year Ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Transfers and other	Balance June 30, 2012
<u>Property and equipment:</u>					
Land	\$ 14,676	\$ -	\$ (19)	\$ -	\$ 14,657
Non-structural improvements	205,766	3,450	-	8,351	217,567
Buildings	1,643,933	16,065	(1,844)	50,734	1,708,888
Equipment	396,841	26,088	(26,267)	-	396,662
Construction in progress	83,433	67,123	-	(59,085)	91,471
Total property and equipment	2,344,649	112,726	(28,130)	-	2,429,245
<u>Less accumulated depreciation and amortization:</u>					
Non-structural improvements	99,318	7,761	-	-	107,079
Buildings	619,902	55,450	(1,574)	-	673,778
Equipment	226,166	25,267	(25,834)	-	225,599
Total accumulated depreciation and amortization	945,386	88,478	(27,408)	-	1,006,456
<u>Property and equipment, net:</u>					
Land	14,676	-	(19)	-	14,657
Non-structural improvements	106,448	(4,311)	-	8,351	110,488
Buildings	1,024,031	(39,385)	(270)	50,734	1,035,110
Equipment	170,675	821	(433)	-	171,063
Construction in progress	83,433	67,123	-	(59,085)	91,471
Property and equipment, net:	\$ 1,399,263	\$ 24,248	\$ (722)	\$ -	\$ 1,422,789

4. LONG-TERM DEBT PAYABLE

Long-term debt activity, including refunding of debt, for the six months ended December 31, 2012 and 2011 and the year ended June 30, 2012 was as follows (amounts in thousands):

Long-term Debt Activity for the Six Months Ended December 31, 2012:

	Balance July 1, 2012	Additions	Retirements	Balance December 31, 2012	Current portion
General obligation bonds	\$ 903,550	\$ -	\$ -	\$ 903,550	\$ 74,755
Revenue bonds	154,170	87,980	(111,735)	130,415	5,800
Self liquidating bonds	2,171	-	-	2,171	569
Installment loans	1,727	-	(218)	1,509	382
Obligation under capital lease for Cogeneration	62,785	-	(1,713)	61,072	3,543
Total long-term debt	1,124,403	87,980	(113,666)	1,098,717	85,049
Premiums/discounts/debt difference due to refunding	46,320	19,015	1,368	66,703	4,549
Total long-term debt, net	<u>\$ 1,170,723</u>	<u>\$ 106,995</u>	<u>\$ (112,298)</u>	<u>\$ 1,165,420</u>	<u>\$ 89,598</u>

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 Year Ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Current portion
General obligation bonds	\$ 804,310	\$ 211,635	\$ (112,395)	\$ 903,550	\$ 74,755
Revenue bonds	159,290	-	(5,120)	154,170	5,705
Self liquidating bonds	2,953	-	(782)	2,171	569
Installment loans	150	1,840	(263)	1,727	408
Obligation under capital lease for Cogeneration	66,098	-	(3,313)	62,785	3,465
Total long-term debt	1,032,801	213,475	(121,873)	1,124,403	84,902
Premiums/discounts/debt difference due to refunding	25,849	24,663	(4,192)	46,320	3,470
Total long-term debt, net	<u>\$ 1,058,650</u>	<u>\$ 238,138</u>	<u>\$ (126,065)</u>	<u>\$ 1,170,723</u>	<u>\$ 88,372</u>

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 a small number of outstanding matters of potential individual significance. With respect to these matters, certain claimants seek an aggregate of approximately \$30.0 million. The State expects these matters to be resolved for less than that amount. The amounts pertaining to the other remaining claims are still unknown at this time.

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.