

**Financial Statements
with Supplementary Combining Information
June 30, 2012 and 2011**



**Fiscal Year 2012
Members of the Board of Regents for Higher Education**

- Thirteen appointed by the Governor and legislative leaders
- Two students chosen by their peers
- Four non-voting ex-officio members – CT commissioners appointed by the Governor

Lewis J. Robinson, Jr., Chair

Yvette Meléndez, Vice Chair

Richard J. Balducci

Naomi K. Cohen

Lawrence DeNardis

Nicholas M. Donofrio

Matt Fleury

Michael Fraser (CSU student)

Merle W. Harris

Gary F. Holloway

Craig Lappen

René Lerer

Michael E. Pollard

Alex Tettey Jr. (CCC Student)

Zac Zeitlin

Jewel Mullen – Commissioner of the CT Department of Public Health

Stefan Pryor – Commissioner of the State Board of Education

Sharon Palmer – Commissioner of the CT Department of Labor

Catherine Smith – Commissioner of the CT Department of Economic and Community Development

Connecticut
Community
Colleges

Education That Works For a Lifetime

Asnuntuck Community College
170 Elm Street
Enfield, CT 06082
Dr. Martha McLeod, President

Capital Community College
950 Main Street
Hartford, CT 06103
Dr. Wilfredo Nieves, President

Gateway Community College
60 Sargent Drive
New Haven, CT 06511
Dr. Dorsey L. Kendrick, President

Housatonic Community College
900 Lafayette Boulevard
Bridgeport, CT 06604
Ms. Anita Gliniecki, President

Manchester Community College
Great Path
Manchester, CT 06045-1046
Dr. Gena Glickman, President

Middlesex Community College
100 Training Hill Road
Middletown, CT 06457
Dr. Anna Wasescha, President

Naugatuck Valley Community College
750 Chase Parkway
Waterbury, CT 06708
Dr. Daisy Cocco DeFilippis, President

Northwestern Connecticut
Community College
Park Place East, Winsted, CT 06098
Dr. Barbara Douglass, President

Norwalk Community College
188 Richards Avenue
Norwalk, CT 06854
Dr. David L. Levinson, President

Quinebaug Valley Community College
742 Upper Maple Street
Danielson, CT 06239
Dr. Ross Tomlin, President

Three Rivers Community College
574 New London Turnpike
Norwich, CT 06360
Dr. Grace S. Jones, President

Tunxis Community College
271 Scott Swamp Road
Farmington, CT 06032
Dr. Cathryn L. Addy, President

System Office, Connecticut State Colleges & Universities
39 Woodland Street
Hartford, CT 06105
Dr. Philip Austin, Interim President

Connecticut Community Colleges
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June 30, 2012 and 2011

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Connecticut Community Colleges Management's Discussion and Analysis June 30, 2012 and 2011

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Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Connecticut Community Colleges ("CCC" or "System") for the fiscal year ended June 30, 2012, along with comparative information for the fiscal year ended June 30, 2011. This discussion has been prepared by and is the responsibility of CCC management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section. The discussion immediately following reflects the System as it existed during fiscal year 2012.

State of Connecticut Public Act 11-48 created a new governance structure, effective July 1, 2011, to manage the operations of the community colleges. The new Board of Governors for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees for Community-Technical Colleges". This new organization replaced the former Board of Governors for Higher Education and three separate constituent unit boards effective January 1, 2012, with responsibility for a merged community college, four-year state university and on-line (Charter Oak) college system (excluding the University of Connecticut). During a six-month transition period from July 1 through December 31, 2011, the existing boards remained in place but all actions taken were subject to ratification by the new Board of Regents, which held its first meeting in October 2011.

The Connecticut Community Colleges are a state-wide system of twelve regional community colleges, serving more than half of the undergraduates in public higher education in Connecticut (the "State"). The CCC's offer two-year associate degrees and transfer programs, short-term certificates, and individual coursework in both credit and non-credit programs, often through partnerships with business and industry. During fiscal year 2012, 105,887 people registered for credit and non-credit programs at the community colleges. During the fall 2011 semester, 57,674 students enrolled in credit courses, down 1.0% from the previous fall. Full-Time Equivalent ("FTE") enrollment was 33,298, a 2.0% decrease from the previous fall. During fiscal year 2012, 30,601 students also took a variety of non-credit skill-building and personal interest programs geared to enhancing workforce opportunities and personal development.

The Connecticut Community Colleges serve the needs of communities, students and businesses at convenient locations throughout the State:

- Asnuntuck Community College ("Asnuntuck") in Enfield
- Capital Community College ("Capital") in Hartford
- Gateway Community College ("Gateway") in New Haven and North Haven
- Housatonic Community College ("Housatonic") in Bridgeport
- Manchester Community College ("Manchester") in Manchester
- Middlesex Community College ("Middlesex") in Middletown and Meriden
- Naugatuck Valley Community College ("Naugatuck Valley") in Waterbury and Danbury
- Northwestern Connecticut Community College ("Northwestern") in Winsted
- Norwalk Community College ("Norwalk") in Norwalk
- Quinebaug Valley Community College ("Quinebaug") in Danielson and Willimantic
- Three Rivers Community College ("Three Rivers") in Norwich
- Tunxis Community College ("Tunxis") in Farmington and Bristol

The Connecticut Community Colleges serve an important role in the State's economy, providing convenient, accessible and flexible access to higher education for many of the State's "non-traditional" students, students age 22 or older. Open admission to all individuals who have a high school degree or equivalency, an emphasis on low student tuition and fees, and a policy goal of making financial aid available to meet the direct costs of attendance for students who demonstrate financial need, help to ensure access to all students regardless of income. The large majority of students study part time (64.8% in fall 2011), most are female (59.5%) and many are employed while pursuing their education. While the typical CCC student is an adult (55.7% of CCC students were age 22 or older in fall 2011), increasing numbers of high school graduates under age 22 are turning to Connecticut's Community Colleges as a low cost, quality alternative for achieving the first two years of an undergraduate education. The number of credit students studying full time decreased from 21,918 or 37.6% in the fall of 2010, to 20,299 students or 35.2% in the fall 2011.

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As outlined in Connecticut General Statute 10a-80, the primary responsibilities of the community colleges are:

- 1) To provide programs of occupational, vocational, technical and technological and career education designed to provide training for immediate employment, job retraining or upgrading of skills to meet individual, community and State manpower needs;
- 2) To provide programs of general study including, but not limited to, remediation, general and adult education and continuing education designed to meet individual student goals;
- 3) To provide programs of study for college transfer representing the first two years of baccalaureate education;
- 4) To provide community service programs; and
- 5) To provide student support services including, but not limited to, admissions, counseling, testing, placement, individualized instruction and efforts to serve students with special needs.

Reporting Entity

The financial statements report information about the Connecticut Community College System as a whole. The State of Connecticut Public Act 11-48 created a new Board of Regents to manage the operations of the community colleges, effective January 1, 2012. The new Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees for Community-Technical Colleges". The former Board of Trustees was established under Connecticut General Statutes 10a-71 et. seq., with authority to administer and govern the regional community-technical colleges, in accordance with state-wide policy and guidelines established by the Department of Higher Education through December 31, 2011.

The Community Colleges are budgeted as a single agency by the State, and operated under the direction of the Board of Regents through a System Office management staff. However, within guidelines provided by the Board and its System Office, each of the twelve colleges is operated as a separate institution with its own executive, academic and administrative management, and each is held accountable for its academic programs as well as its financial position and financial operations. In addition, each college is recognized as a separate entity for Federal Title IV financial aid programs, and each college achieves separate accreditation from the New England Association of Schools and Colleges ("NEASC") and other specialized accrediting bodies depending upon the particular programs of study. Therefore, supplemental financial statements (excluding the footnotes), are included for each institution to further support and clarify the System financial statements. The CCC System and individual college financial information is presented in the "primary institution" column of the various system-wide and college supplementary financial statements that follow.

In addition, each of the twelve colleges has a related college foundation (referred to collectively as the "Foundations") which performs fundraising and provides various levels of support and service to its respective college. Each of the college Foundations is a legally separate, tax-exempt non-profit organization separate from college control. These Foundations, established in accordance with Connecticut General Statutes section 4-37e to provide funding for scholarships or other direct student financial aid, and for programs, services or activities at the associated college, are component units included within the CCC System financial statements based on the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14* ("GASB 39"), regarding criteria for affiliated organizations. Those criteria include the fact that the economic resources of each foundation are received and held entirely for the direct benefit of the respective college; that each college has the ability to access the economic resources held by its foundation, or has historically received resources from or had requests for resources honored by its foundation; and that the foundations' economic resources are significant to each college.

The financial information of the college Foundations is discretely presented and identified in the "component unit" column of the various system-wide and college financial statements. Because under Connecticut statutes each foundation may establish its own accounting (fiscal) year as any twelve month period, not all twelve foundations have a fiscal year-end which coincides with the CCC June 30 year-end – some have fiscal years which end at December 31. GASB 39 allows component unit information to be up to eleven months older than that of the CCC primary institution, therefore the component unit information reflects foundation statements from each foundation's most recent fiscal year, ending either December 31, 2011 or June 30, 2012. All Foundation statement information is based on separately prepared foundation financial statements, which are audited as required by State statute (annually above a certain size, but not less than once every three years). Under pre-existing Connecticut statutory and CCC Board policy requirements, various foundation

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information, including the foundation financial statements, is reviewed at a high level by the college president and the college chief financial official, and forwarded to the CCC system office annually for transmittal to the State Auditors of Public Accounts. CCC management relies upon individual college and foundation compliance with these requirements, and the independently audited foundation financial statements, to ensure that information presented in the component unit section of the CCC statements is materially correct.

In addition to the college Foundations, effective July 1, 2004 the Board assumed responsibility for the Great Path Academy ("GPA"), an inter-district magnet high school located on the Manchester Community College ("Manchester") campus, whose mission is to provide an innovative learning environment that supports students from diverse backgrounds in developing the values, self-discipline, work habits, academic and life skills needed to achieve success, and to bridge the gap between secondary and postsecondary education by immersing high school students into the college community and providing access to college coursework. Great Path Academy is a separate legal entity established under section 10-264l of the Connecticut General Statutes. Public Act 04-213 amended C.G.S. 10-264l to permit the Board, on behalf of Manchester Community College, to sponsor and apply for funding to construct and operate a magnet school. The GPA entity meets the criteria for inclusion as a component unit in the financial statements of CCC and is reflected in a separate column within the Manchester Community College and System statements. The Board, through Manchester Community College, has overall responsibility for the mission, design, implementation and assessment of the GPA magnet school. The Board and Manchester have contracted with the Capitol Region Education Council ("CREC") to assume responsibility for the day-to-day operations of GPA through June 2012. The latest contract for the school year beginning September 2012 was awarded to Hartford Public Schools. The Governing Board of GPA includes representation from Manchester Community College and the boards of education of Bolton, Coventry, East Hartford, Glastonbury, Granby, Hartford, Manchester and Tolland.

During the 2008 legislative session, Public Act 08-169 amended C.G.S. 10-283, effective July 1, 2008, to permit the Board, on behalf of Quinebaug Valley Community College, to sponsor and apply for funding to construct and operate an inter-district magnet school. During fiscal year 2009, the Quinebaug Valley Middle College ("QMC") opened utilizing existing space on the Quinebaug Valley Community College Campus, with 34 tenth grade students, beginning in the fall of 2008. During fiscal year 2009, the Board submitted required information to apply for funding to begin the construction of a separate QMC facility on the QVCC campus. During fiscal year 2010, a building committee composed of college and community representatives and others was formed to guide and provide input to the process, with an architect hired and the design process well underway, with projected opening in September 2013. The QMC vision is based on the notion that student learning flourishes in an environment in which high expectations and achievement are integral; where rigorous, relevant instruction is provided; and where the real-world application of skills is conducted in a community of strong, positive and caring relationships. The QMC has as its theme the middle college experience, with a curriculum focused on literacy in its broadest sense, contextual or problem-based learning, and creativity and innovation. The QMC meets the criteria for inclusion as a component unit in the financial statements of CCC, reflected in a separate column within the Quinebaug Valley Community College and System statements, beginning in fiscal year 2009. The Board has overall responsibility for the mission, design, implementation and assessment of the QMC, and has agreed with EASTCONN, a regional education service center, for EASTCONN to assume responsibility for the day-to-day operations of QMC.

Financial Highlights

The Connecticut Community Colleges had total assets of \$880.1 million, liabilities of \$98.4 million, and a total net asset balance of \$781.7 million at June 30, 2012. Of this amount, \$28.3 million is classified as unrestricted net assets, a \$10.9 million decrease from 2011, following a \$1.3 million increase in 2010 and a \$13.7 million increase in 2009.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were \$214.7 million, a 0.3% increase over the previous year. Operating expenses were \$478.0 million, a decrease of 0.4% over the previous year, resulting in an operating loss of \$263.3 million during the year ended June 30, 2012. Net non-operating revenues and other changes were \$268.9 million, down 4.3% from the previous year, reflecting a \$10.6 million increase in bond appropriations and a \$24.8 million decrease in general fund appropriations. Overall the CCC's experienced a net gain of \$5.6 million during fiscal year 2012.

Cash and cash equivalents were \$199.3 million at June 30, 2012, including \$49.9 million of cash equivalents in the form of State bond appropriations administered by the CCC's, and \$56.1 million of State bond appropriations administered by the

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Department of Construction Services (“DCS”) on behalf of the System. DCS-administered cash equivalents (bond appropriations) decreased from \$119.3 million at June 30, 2011 to \$56.1 million at June 30, 2012, reflecting the expenditure of \$80.4 million of bond appropriations for the Gateway Community College project and \$16.0 million in new appropriations for Phase II at Tunxis Community College as well as receipts and disbursements for smaller projects at other colleges. Total current assets were \$229.6 million at June 30, 2012. The ratio of unrestricted current assets of \$110.2 million to unrestricted current liabilities of \$44.5 million is 2.5:1, unchanged from 2011. The current ratio reflects a financial position sufficient to provide short-term liquidity in compliance with the Board of Trustees’ net asset policy as the State continues to address severe budget shortfalls over the next few years. Non-current liabilities decreased by 8.0%, to a total of \$37.1 million at June 30, 2012. This significant liability includes \$36.8 million for the long-term portion of the accrued value of benefits earned by employees which must be paid out when they retire or otherwise terminate service in the future (net of the estimated amounts to be paid out in the upcoming year). This large and essentially unfunded accrued compensated absence (“ACA”) liability continues to represent a long-term obligation on the System’s financial flexibility.

Overview of the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities* (“GASB 35”), as amended by GASB Statements No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, (“GASB 37”); No. 38, *Certain Financial Statement Note Disclosures* (“GASB 38”); and No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14* (“GASB 39”). GASB 35 extended the state and local government financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (“GASB 34”) to include public colleges and universities. GASB 35 established standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of the System as a whole. As required by GASB 34 and 35, a comparative analysis of fiscal year 2012 financial data with fiscal year 2011 is also presented, both for the CCC *primary institution*, as well as for the twelve college foundations *component unit* information, and for the two magnet high schools component unit information at Manchester and Quinebaug Valley Community Colleges.

During fiscal year 2012 and 2011, no new accounting pronouncements impacted the CCC’s.

The Connecticut Community Colleges report as a special-purpose government engaged only in *business-type activities* (“BTA”), with much of the cost of providing service recovered through tuition and fees charged to students and other external users in exchange for service. Required financial statements include the Statement of Net Assets (“SNA”), the Statement of Revenues, Expenses and Changes in Net Assets (“SRECNA”), and the Statement of Cash Flows (“SCF”). A review of these financial statements can provide information regarding both short-term profitability and liquidity, as well as long-term financial viability and financing of the CCC’s, helping to answer the important question of whether the System’s financial condition continues to support the achievement of its operating objectives and mission.

While the CCC financial statements include the foundation and magnet high school statement numbers, no attempt has been made to reformat or compare incompatible FASB standards applied by the foundations, with GASB standard applied by the CCC’s, nor have the foundation financial statement footnotes, disclosures or other detailed information included in the separate foundation statements, been re-stated herein. Unless otherwise specifically stated, the management discussion, notes and disclosures in the CCC statements refer to the CCC primary institution, not to the foundation or magnet high school component units.

The **Statement of Net Assets** presents the overall financial position of the System at the end of fiscal year 2012, compared with fiscal year 2011, and includes all assets and liabilities of the Connecticut Community Colleges, including capital assets net of depreciation. The difference between total assets and total liabilities – or net assets – is one indicator of the current financial condition of the System. Over time, increases or decreases in net assets may serve as an indicator of whether the financial health of the Connecticut Community Colleges is improving or deteriorating, although other factors including enrollment and condition of physical facilities must also be considered. The Statement of Net Assets classifies assets and liabilities as *current* and *non-current*. In general, current liabilities are those that will be paid within one year of the date of

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the statement of net assets. Current assets are those that are available to satisfy current liabilities. Comparisons of current assets to current liabilities can provide an indication of the System's ability to meet its obligations in the short term.

Net asset balances represent resources available to support future operations. Net assets classified as *Invested in Capital Assets* provide an indication of the State's and the System's investment in long-lived assets such as land, buildings, technology infrastructure, library holdings, machinery and moveable equipment, necessary to support the educational mission on a long-term basis. *Restricted-Nonexpendable* net assets are required by donor or legal restrictions to be maintained in perpetuity, such as endowments. *Restricted-Expendable* net assets provide an indication of non-exchange resources available for specific purposes based on donor or legal restrictions, including unexpended capital (bond fund) appropriations, scholarship donations, and other non-capital gifts. *Unrestricted Net Assets* provide an indication of the one-time financial reserves available to supplement current-year revenues or to provide resources for designated program expansions or capital investment, and as such can provide an indication of the financial health and flexibility of the System, as well as its ability to weather short-term financial difficulties.

The **Statement of Revenues, Expenses and Changes in Net Assets**, like the Statement of Net Assets, is prepared using the *economic resources measurement focus*, which includes both financial resources and capital resources. As required by GASB 35, both statements also utilize the *full accrual basis of accounting*, similar to that used by corporations and private colleges and universities, which recognizes revenues when goods or services are provided, and expenses when goods or services are consumed, regardless of when the related inflows and outflows of cash occur. The SRECNA provides information regarding whether the System is receiving sufficient revenues each year to cover the costs incurred in providing its educational and other services to students and the public.

The SRECNA classifies revenues and expenses into *operating* and *non-operating*. Operating revenues – those which are generated as a result of the System's regular educational and public service activities – do not include State appropriations. Therefore, the Connecticut Community Colleges and virtually all public colleges and universities that rely on government appropriations as a major source of (non-operating) revenue, will show an operating loss on the Statement of Revenues, Expenses and Changes in Net Assets.

GASB 34 and 35 require that revenues be reported *net of discounts and allowances*. Therefore, for financial reporting purposes, student tuition, fee and other revenues are reduced by the value of student financial aid and tuition and fee waivers used to pay off these charges. Similarly, student financial aid and waiver expenses are reduced to the extent used to pay off tuition and fee charges. The resulting net revenues reflect only the revenues to be actually paid by or on behalf of students, and the resulting net financial aid/waiver expense reflects only the amount of financial aid actually paid to students above any amounts used to satisfy tuition and fee charges. The SRECNA shows both the gross and contra, or reduction, tuition and fee revenue amounts. (Other student revenues are reported on a net basis only, after reduction for student financial aid used to pay the related student charges.) Users of this financial statement should be aware of the difference from data reported prior to fiscal year 2002, when both tuition and fee revenues, and financial aid/waiver expenses, were reported on a gross basis.

Governments, including public colleges and universities, are required under GASB 34 and 35, to record *depreciation expense* for all capital assets. The SRECNA records a portion of the initial capital outlay each year as depreciation expense, over the expected useful life of the asset. This differs from budgetary practices, which record all capital outlays as expenditure against the current year appropriation or budget.

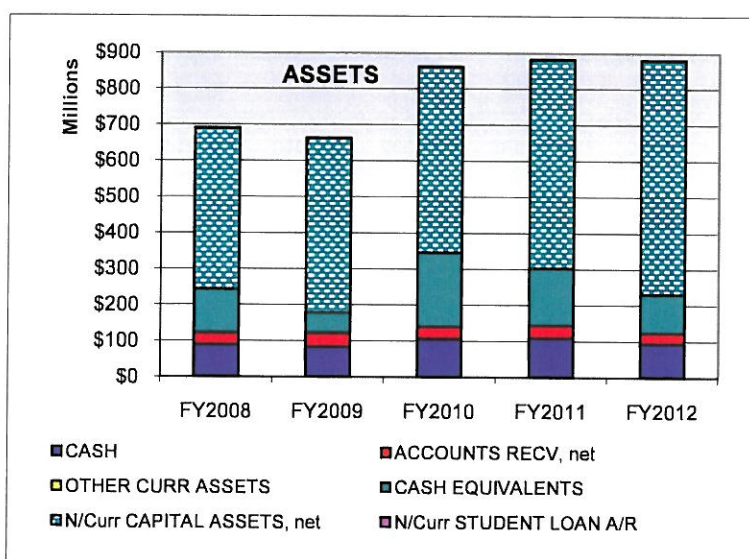
The **Statement of Cash Flows** presents information related to cash inflows and outflows summarized into the categories of operating, non-capital financing, capital financing and investing activities. (State appropriations, which are considered to be cash equivalents, are also included in this statement. These State appropriations include the CCC general fund appropriation and the value of associated fringe benefits, CCC-administered bond funds, and bond funds administered by DCS on behalf of the System.) The Statement of Cash Flows utilizes the direct method, providing information regarding where cash and cash equivalents originate and the purposes for which they were used during the year, and the net change in cash and equivalents during the year. This statement provides information regarding the System's ability to meet short-term financial obligations, its ability to generate future cash flows, and its liquidity, solvency and financial flexibility. It can also help users assess the reasons for differences between changes in net assets and the associated cash receipts and payments.

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Condensed Statements of Net Assets June 30, 2012, 2011 and 2010 (in thousands)

	2012	2011	Primary Institution 2010	% Change	
				current yr	prior yr
ASSETS					
Current assets	\$ 229,587	\$ 302,720	\$ 344,661	(24) %	(12) %
Non-current assets	650,499	578,935	516,289	12	12
Total assets	<u>\$ 880,086</u>	<u>\$ 881,655</u>	<u>\$ 860,950</u>	<u>(0) %</u>	<u>2 %</u>
LIABILITIES					
Current liabilities	\$ 61,324	\$ 65,282	\$ 61,233	(6) %	7 %
Non-current liabilities	37,060	40,303	38,966	(8)	3
Total liabilities	<u>98,384</u>	<u>105,585</u>	<u>100,199</u>	<u>(7)</u>	<u>5</u>
NET ASSETS					
Invested in capital assets	649,998	578,431	515,841	12	12
Restricted-nonexpendable	20	20	20	-	-
Restricted-expendable	103,366	158,429	206,983	(35)	(23)
Unrestricted	28,318	39,190	37,907	(28)	3
Unrestricted-mandatory transfer to State	-	-	-	-	-
Total net assets	<u>781,702</u>	<u>776,070</u>	<u>760,751</u>	<u>1</u>	<u>2</u>
Total liabilities and net assets	<u>\$ 880,086</u>	<u>\$ 881,655</u>	<u>\$ 860,950</u>	<u>(0) %</u>	<u>2 %</u>

Total assets were \$880.1 million at the end of the 2012 fiscal year, down from \$881.7 million at the end of fiscal year 2011 and up from \$861.0 million at the end of fiscal year 2010. *Current assets* include cash and cash equivalents of \$199.3 million, consisting of \$1.3 million of cash held in restricted agency accounts for student activity, institutional welfare, and student loan funds, \$91.9 million in restricted and unrestricted operating funds, \$49.9 million in agency-administered bond appropriations, and \$56.1 million in DCS-administered bond appropriations. The \$73.1 million net decline in current assets from the previous year includes a \$51.9 million reduction in agency- and DCS-administered bond appropriations, a \$15.7 million decrease in cash from current operations, and a \$4.8 million reduction in general fund receivables. The decrease in current assets reported from fiscal year 2010 to fiscal year 2011 reflects a \$46.4 million reduction in agency- and DCS-administered bond appropriations, as well as a \$3.8 million increase in cash from operations. Current assets in fiscal year 2012 also include tuition and fee accounts receivable of \$3.1 million, net of a \$1.9 million allowance for doubtful accounts. Net tuition and fee accounts receivable represent current amounts due for the summer 2011 through spring 2012 academic terms, and are approximately 1.8% of total gross tuition and fee revenues, consistent with fiscal year 2011. Accounts



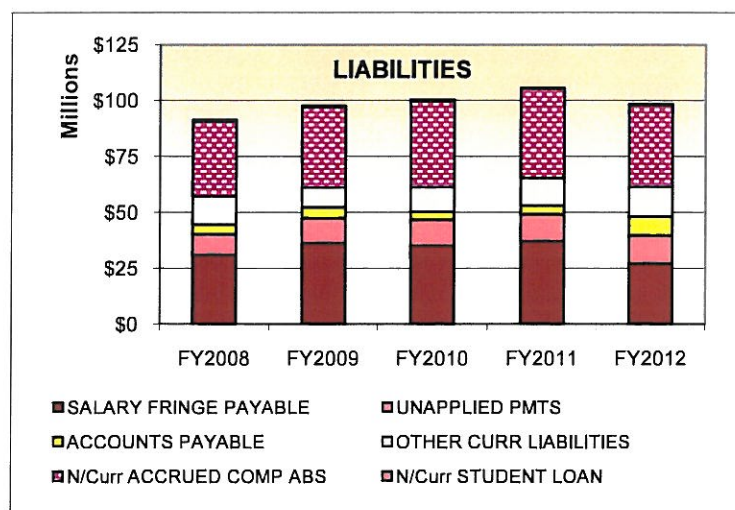
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receivable also include \$23.4 million of employee salary and fringe benefit expense accrued at June 30, 2012 due from the State general fund, a 17.1% reduction from the previous year, which in turn was 0.7% below 2010. Also included in accounts receivable are \$2.7 million of restricted government and private grant receivables. Finally, current assets also included \$205 thousand in prepaid expense at June 30, 2012. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short Term Investment Fund ("STIF") on behalf of State agencies. The CCC's do not carry any other separate investments.

Non-current assets increased 12.4% from \$578.9 million at June 30, 2011, to \$650.5 million at June 30, 2012, following an increase from \$516.3 million in fiscal year 2010. Student loan receivables declined by 0.6% to \$501 thousand, following a 12.5% increase in 2011. Net capital assets increased by 12.4% from \$578.4 million to \$650.0 million at June 30, 2012. At June 30, 2012, capital assets in service totaled \$690.9 million, offset by \$222.7 million in accumulated depreciation; this compared with \$656.7 million and \$206.8 million, respectively, at the end of fiscal year 2011. Buildings and building improvements increased by \$30.1 million or 5.3%, \$28.1 million of which is attributable to the completion of Norwalk's new health and science center and improvements to the college's culinary facilities. An improvement for HVAC and fire suppression to the System Office data center accounts for \$271 thousand, and the balance of the increase reflects post completion charges for various projects substantially completed in recent years.

Construction-in-progress ("CIP") increased from \$128.5 million at June 30, 2011 to \$181.8 million at June 30, 2012, as a result of the near completion of the Gateway downtown campus consolidation. Non-current assets also included land and land improvements of \$15.3 million and \$7.4 million, respectively, infrastructure, vehicles and software, as well as furnishings and equipment of \$23.9 million net of accumulated depreciation, and library books of \$3.9 million net of depreciation at June 30, 2012.



Total liabilities were \$98.4 million at the end of fiscal year 2012, a decrease from \$105.6 million at the end of fiscal year 2011. *Current liabilities* consist primarily of employee salary and fringe benefits payable of \$27.1 million down \$9.9 million due to an accrual of twenty days at June 30, 2011 versus an accrual of eleven days at June 30, 2012. Additional current liabilities include: unapplied payments of \$12.4 million, primarily collected in advance for late-summer and fall 2012 academic terms, deferred revenues of \$3.3 million for restricted grant activities to be performed, vendor accounts payable of \$8.7 million, agency fund liabilities of \$1.3 million, and \$3.4 million for the estimated value of accrued compensated absences (sick and vacation time benefits) that will be paid within the coming year to employees who terminate or retire, as well as \$4.9 million of

retainage on facility projects. Vendor accounts payable increased \$4.7 million from fiscal year 2011 due to the large number of year end purchases by Gateway Community College to equip its new downtown campus.

Non-current liabilities consist almost exclusively of long-term accrued compensated absences – \$36.7 million net of \$3.4 million of current liabilities – to be paid out to terminating employees over time in the future beyond one year. The total ACA liability of \$40.2 million (long-term and current) represents approximately 36.4% of the existing *unrestricted* current assets that are available to pay for these previously earned employee benefits, and causes the reported unrestricted net asset balance to be significantly reduced. In practice, however, much of these payouts are funded through current-year revenues rather than through existing net assets. An unusually large level of employee turnover, such as the one that occurred following the 2009 state Retirement Incentive Program and again during the 2011 State Employee Bargaining Agent Coalition ("SEBAC") concession negotiations – if accompanied by reduced operating budgets, such as the one that occurred during fiscal years 2009 through 2012 – could require the use of existing assets to cover these obligations.

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The total net asset balance includes \$650.0 million *Invested in Capital Assets* net of related debt and depreciation. The Connecticut Community Colleges do not carry any capital debt, as property acquisitions, facility construction and major renovations are financed by capital appropriations made to one or more of the CCC's. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in the CCC financial statements. Capital additions may also be financed by the use of unrestricted net asset reserves generated from student tuition and fee revenues and other operating activities, and by capital gifts and grants.

One of the critical factors in continuing the quality of the System's academic and public service programs is the development and renewal of its capital assets, including facilities, technology infrastructure and equipment. The significant pace of technological change and obsolescence means that educational equipment, technology infrastructure and computer software and hardware systems must be replaced and upgraded on a regular basis. The Connecticut Community Colleges continue to implement a long-range capital plan to provide for new and renovated campus facilities necessary to meet academic program needs, and to provide for on-going capital equipment and technology upgrades and replacement, through significant on-going support of the governor's office and annual bond funding authorized by the State legislature.

Major projects completed during fiscal year 2011 included the Health, Science and Wellness Center Building at Norwalk Community College (\$21.2 million total project). This earned Norwalk a LEED Gold Award, the second highest "green" building award. A second project concluded in fiscal year 2011 was renovation of 31,000 square feet of classroom space in Norwalk's "A" wing (\$6.4 million). Sprinklers were installed in excess of 30,000 square feet of office, classroom and lab space at Quinebaug Valley Community College (\$300 thousand).

Major projects completed during fiscal year 2012 included the \$198 million Gateway Community College in New Haven, which opened for fall semester in August 2012. In addition, three manufacturing centers were completed for fall 2012 openings (Housatonic, Quinebaug Valley and Naugatuck Valley Community Colleges). Approximately \$5.5 million of the \$8.9 million allocated for the projects was used to build and outfit the spaces.

In fiscal year 2011, \$36.6 million bonds were allocated to Community College projects by the State Bond Commission. This included \$914 thousand expended at Manchester Community College for code and sprinkler upgrades to the Lowe Building and for design to parking lot repairs. At Northwestern Community College, \$1.6 million was allocated towards design and preconstruction services for a replacement Joyner Building. Naugatuck Valley Community College received an allocation of \$1.3 million for design of extensive site improvements. Design of a major roof replacement, HVC upgrades and code compliance improvements at Asnuntuck Community College were funded in the amount of \$1.3 million. The bond commission allocated \$1 million for workforce development, \$470 thousand for minor capital improvements, \$18 million for new or replacement equipment at various community colleges, and \$12 million for technology upgrades) technology and telecommunications equipment and related technology infrastructure).

In fiscal year 2012, \$36.9 million in bonds were allocated to Community College projects. Three Rivers Community College received \$872 thousand to fund design of a new auditorium and classroom building. At Middlesex Community College, \$156 thousand was allocated to fund renovations to Founders Hall. Design funds for a major renovation to LaFayette Hall at Housatonic Community College were approved in the amount of \$4.7 million. A project to design and replace two boilers at Quinebaug Valley Community College received \$68 thousand. At Northwestern Community College, the bond commission allocated \$103 thousand to design building repairs at Greenwoods Hall. Tunxis received \$16.0 million to finance the construction of a new 56,000 square foot classroom building. A small expansion (\$1.1 million) of precision manufacturing space at Asnuntuck Community College was funded. Naugatuck Valley Community College received \$5.2 million to fund design of a major renovation to Founders Hall and energy improvements throughout campus. In addition, the following funds were allocated to various campuses: \$800 thousand for minor capital improvements; \$3.0 million for equipment at Gateway Community College; and \$5.0 million for technology and telecommunications.

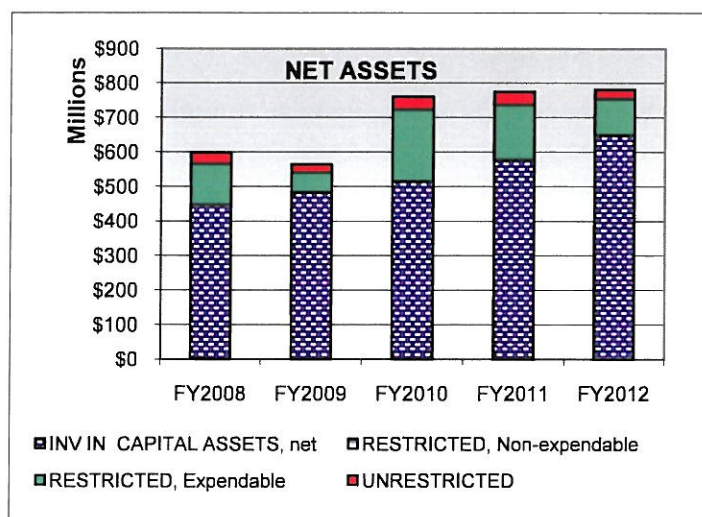
The CCC's have a minimal level of *Restricted-Nonexpendable* net assets as the colleges do not generally carry any permanent endowment as a direct activity. However, each college has a related foundation which administers an endowment fund on behalf of its respective college, in accordance with the State's endowment matching grant program. Under this program, beginning in calendar year 1998 through calendar year 2012, eligible gifts made to the endowment were to be matched by a 50% State match up to specified maximum amounts. During the 2005 legislative session, the 50%

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match was amended to apply to eligible gifts received through calendar year 2004, with a lower 25% match to be provided for subsequent years, and with no new matching funds to be appropriated until the State's Budget Reserve Fund equals ten percent of net General Fund appropriations. During fiscal years 2009, 2010 and 2011, no State match funding was received. During fiscal year 2008, \$192 thousand was received from State carry-forward funds to pay a portion of the State's matching requirement for calendar year 2004 and 2005 eligible gifts. Remaining State matching receivables of \$2.9 million for calendar year 2004, 2005, 2006, 2007, 2008, 2009 and 2010 gifts remain unfunded. Investment income earned on the endowment may be used for scholarships and programmatic enhancements by each college or by its foundation on behalf of the college. Financial information related to the college foundations is included in the CCC financial statements, but is discretely presented as *component units*, and is therefore not reflected within the CCC *primary institution* restricted-nonexpendable net assets. Most college foundations are no longer reflecting the State match as a receivable due to the unpredictable timing of its receipt, but will instead reflect revenues if and when the match is provided. The sum of the net receivable for the State match included by the foundations in their statements at June 30, 2012 is \$257 thousand.

Restricted-Expendable net assets represent primarily bond fund appropriation balances at June 30, 2012 (\$43.5 million for projects managed by the CCC's and \$51.2 million for projects managed by DCS), funds held in restricted accounts pending distribution under the terms of the Board's collective bargaining agreement with its professional unions (\$6.9 million), loan fund balances (\$0.3 million), as well as private gifts and donations, mostly for scholarships, whose revenues have been recognized but not yet expended. Changes in restricted-expendable net assets are related primarily to the change in bond fund appropriation revenues and expenses in connection with various facility projects. Other restricted activities include a significant level of federal, state and private "exchange" grants and financial aid programs which do not generate any net asset balance because all revenues are offset by corresponding expenses, with a net difference of zero. Revenue is recognized only when the exchange occurs, generally at the point of expenditure.



Unrestricted net assets ("UNA") decreased by \$10.9 million to \$28.3 million during fiscal year 2012, following increases of \$1.3 million in 2011 and \$13.7 million in 2010. The budget reductions for fiscal year 2012 resulted in a drawdown of reserves to accommodate the payment of a 27th payroll for the year and operating costs that could not be reduced.

CCC Board of Trustees policy provides that unrestricted net assets should be maintained at a level that covers all carry-forward obligations, and allows for a system contingency reserve of 1.2% of total operating expense and college contingency reserves of up to 3%, plus other optional reserves for specific college or system needs including new facility transition expenses, new academic program startup initiatives, technology and

telecommunications upgrades, and other projects that may require more funds than would be available in a single year's budget. Based on this policy, the System and colleges had \$5.0 million committed or prepaid at June 30, 2012 for expenditure under existing contracts and purchase orders and \$10.5 million in system and college contingency reserves totaling 2.2% of operating expense (up from 1.2% a year earlier). Included also is \$2.3 million for fiscal year 2013 operations, and a net \$11.3 million in other designated reserves, most of which were held for transitional new facility costs, deferred maintenance, academic program initiatives, student services support and information technology projects. At the end of fiscal year 2012, two of the twelve colleges had negative UNA, compared with one in 2011 and two in 2010. Board policy requires colleges which do not meet its minimum net asset and liquidity requirements to implement budget plans over the succeeding three years to bring their UNA and unrestricted current ratio into compliance with Board policy in order to enhance their short- and long-term financial health and viability, and to permit the continued development of responsive academic programs and services.

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Condensed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012, 2011 and 2010
(in thousands)

	2012	2011	2010	% Change	
				current yr	prior yr
OPERATING REVENUES					
Student tuition and fees	\$ 169,881	\$ 167,526	\$ 154,794	1 %	8 %
Less: Scholarship discounts and allowances	(73,964)	(70,071)	(57,688)	6	21
Net tuition and fees	95,917	97,455	97,106	(2)	0
Government grants and contracts	107,170	106,922	89,734	0	19
Additional operating revenues	11,654	9,780	15,879	19	(38)
Total operating revenues	214,741	214,157	202,719	0	6
OPERATING EXPENSES	478,044	479,985	447,961	0	7
Operating loss	(263,303)	(265,828)	(245,242)	1	(8)
NON-OPERATING REVENUES					
State appropriations - general fund *	219,976	244,782	238,525	(10)	3
State appropriations - bond fund **	46,728	36,127	202,964	29	(82)
Other non-operating revenues (expenses), net	2,231	238	163	837	46
Net non-operating revenues	268,935	281,147	441,652	(4)	(36)
Net income	5,632	15,319	196,410	(63)	(92)
Change in net assets	5,632	15,319	196,410	(63)	(92)
NET ASSETS					
Net assets, beginning of year	776,070	760,751	564,341	2	35
Net assets, end of year	\$ 781,702	\$ 776,070	\$ 760,751	\$ 1 %	\$ 2 %

* Including fringe benefits

** Including agency and DCS administered

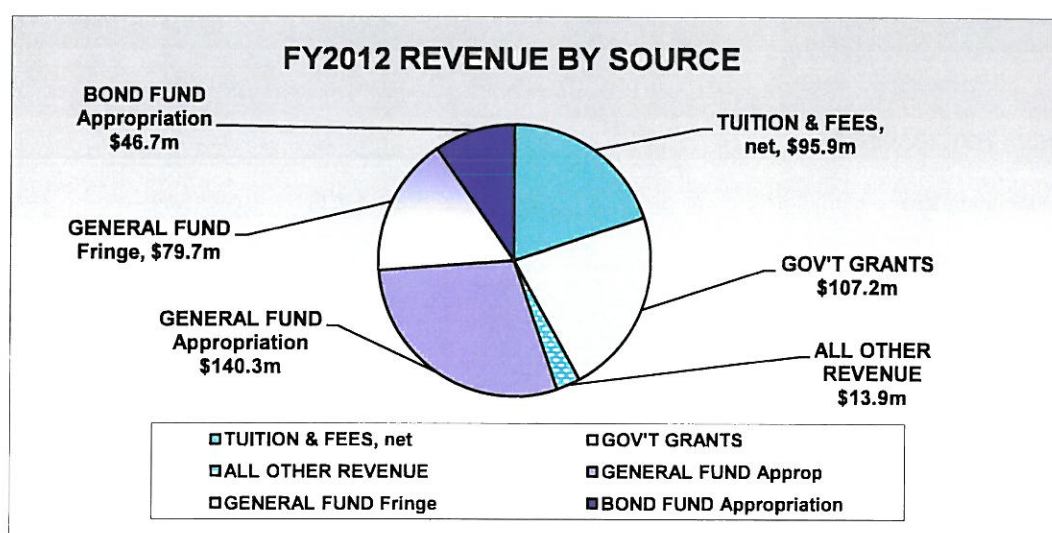
Total operating revenues for fiscal year 2012 were \$214.7 million after reduction for scholarship allowances as required by GASB 35, up 0.3% from \$214.2 million in fiscal year 2011, and \$202.7 million in fiscal year 2010. When the impact of fiscal year 2010 bookstore revenues is eliminated, operating revenues increased 8.2% in fiscal year 2011. *Student tuition and fees* represent the largest portion of operating revenue on a gross basis, but are offset by \$74.0 million of student financial aid and waivers applied to student tuition and fee charges, resulting in net tuition and fee revenue of \$95.9 million after scholarship allowances. This differs from budgetary practices, which recognize revenue on a gross basis without offset for scholarship allowances. On a gross basis, fiscal year 2012 tuition revenues increased 0.3% from the previous year, to \$122.1 million, following a 10.2% increase from 2010 to 2011. These revenues reflect a FTE credit enrollment decrease of 1.5% in fiscal year 2012 and an increase of 3.1% in fiscal year 2011. Extension fee revenues of \$24.2 million increased by 5.7% during fiscal year 2012, with credit revenues for summer and other credit programming up by 7.5%, and non-credit continuing education programs up by 3.6%. During fiscal year 2011, extension fee revenues of \$22.9 million declined overall by 0.6%, with credit revenues remaining strong and non-credit continuing education programs declining, impacted by the declining economy. Other fee revenues (gross) of \$23.6 million at June 30, 2012 included college services fees of \$18.1 million; required laboratory, studio and clinical fees totaling \$4.2 million; and other fees of \$1.3 million, including application fees, installment payment plan fees, late fees, credit by exam fees, check return fees, and others.

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Government grant revenues at June 30, 2012 were \$107.2 million, up 0.2% from 2011, representing primarily student financial aid programs including the Federal Pell and Supplemental Education Opportunity Grant ("SEOG") programs, and the State Connecticut Aid to Public College Students ("CAPCS") grants. Other government grants include funding for various program-related activities.

Additional operating revenues during 2012 include approximately \$4.2 million in sales or commission revenues from college- or vendor-operated cafeterias, bookstores, daycare centers and other activities, up 6.2% from 2011. During fiscal year 2012, additional operating revenues also included \$618 thousand of incidental gross sales revenues related to the student experience component of various instructional programs including early childhood education, food services and allied health. Private grant and contract revenues of \$6.2 million are also reflected in the \$13.9 million of all other revenue for fiscal year 2012, up from \$4.4 million in fiscal year 2011 but level with the \$6.2 million in fiscal year 2010. (Private resources also included \$2.1 million of private *non-operating* gifts.)



Total *operating expenses* for fiscal year 2012 were \$478.0 million, after reductions for the amount of student financial aid and waivers applied to student tuition and fees. This reflects an operating expense decrease of 0.4% from \$480.0 million in fiscal year 2011, compared with an increase of 7.1% from \$448.0 million in fiscal year 2010. The essentially flat operating expenses in 2012 included a \$27.0 million reduction in state-supported salary and fringe benefit expense, a \$3.4 million reduction in other general operating expense, a \$1.2 million decrease in grant- and tuition-supported net scholarship aid, offset by a \$19.7 million increase in grant- and tuition-supported salary and fringe benefit expense, \$663 thousand increase in depreciation expense and a \$9.3 million increase in non-capital bond-supported expenses due mainly to purchases for the new downtown campus for Gateway.

Operating expenses included \$342.8 million for salary and wages and related fringe benefits, or 71.7% of total operating expense. In addition, operating expense included \$42.7 million in net scholarship aid expense refunded to students, \$21.4 million in depreciation expense and \$71.1 million for all other service and supply costs. Service and supply costs include \$12.6 million in non-capital telecommunications and information technology-related services and supplies; premises and property-related expenses including utilities, security, maintenance and repairs, custodial and grounds, and other related costs totaling \$24.1 million; and all other non-personnel costs of operating the colleges.

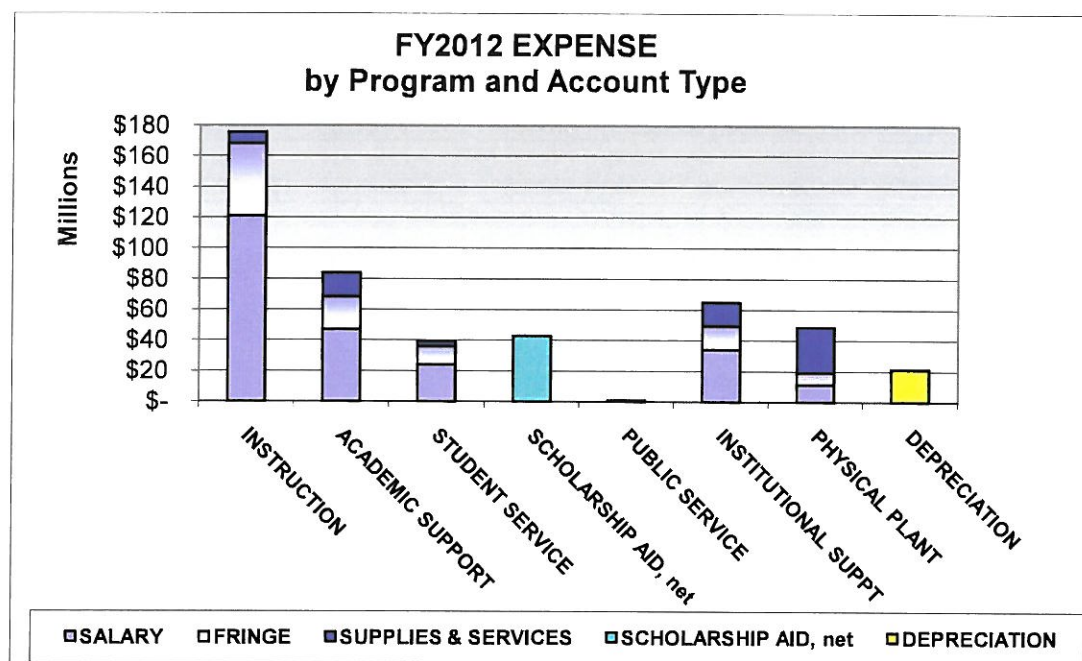
All financial aid grants and waivers which are applied to pay off student tuition and fee charges are reported as a reduction or "discount" of tuition and fee revenue. Only the financial aid amounts actually refunded to students above the amount used to pay for required tuition and fees is recorded as a financial aid expense. This differs from budgetary practices, which record all student *financial aid grants and waivers* as expenditure against current year appropriation or budget. On a *gross* basis, \$116.7 million of student *financial aid grants and waivers* were awarded, up 2.3% in fiscal year 2011 from \$114.1 million in fiscal year 2011 and \$94.8 million in fiscal year 2010. During award year 2012, 27,683 students received federal

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Pell grant awards, an increase of 1,220 students and 4.6% compared with 2011. The prior year increase also reflected increases in Pell awards driven by enrollment growth. Fiscal years 2012 and 2011 gross aid also included \$22.6 million and \$22.7 million, respectively, in financial aid and tuition waivers paid from institutional funds generated by student tuition and fee revenues, as well as \$12.5 million and \$13.1 million, respectively in state and private grant aid, other non-grant aid in the form of work study and loan assistance is not included in these numbers. Of the \$116.7 million gross financial aid, \$74.0 million was used to pay off student tuition and fee, bookstore and other student charges, and \$42.7 million was provided directly to students, and is reflected as operating expense.

Operating expenses also include *depreciation* of \$21.4 million. In fiscal year 2012, \$92.9 million of initial capital outlay was recorded and has been reclassified as capital assets for GASB reporting purposes. Depreciation expense related to current and prior year capital purchases is reflected as operating expense, to apportion the cost - and consumption - of each asset over the expected useful life during which it will be used. This method attempts to match costs associated with doing business to the time period in which the assets are used in generating revenues.



The Connecticut Community Colleges recorded an operating loss of \$263.3 million during the year ended June 30, 2012. In major part, this results from the fact that the State general fund appropriation and related fringe benefits, as well as State bond fund appropriations are classified as *non-operating revenues* under GASB 35, although the expenditure of these resources on personnel, non-capital equipment and depreciation are considered to be an operating expense. Other non-operating activity includes private gifts and donations, investment income earned on cash balances invested by the State treasurer's office, and non-mandatory transfers between individual colleges and the System Office. During fiscal year 2012, private gift revenues increased to \$2.1 million, as compared with \$973 thousand in fiscal year 2011. Investment income decreased 34.5% to \$163 thousand, following a decline of 16.0% from \$296 thousand in 2010 to just \$249 thousand in 2011. The State general fund appropriation for salaries decreased by 11.6% and the associated revenues to cover fringe benefit costs decreased by 7.3%, to \$138.3 million and \$79.7 million, respectively. Bond fund appropriation revenues increased from \$36.1 million in fiscal year 2011, to \$46.7 million in 2012. When the full value of the general fund appropriation and fringe benefits, capital appropriations, and other non-operating revenue and expense is taken into account, the System recorded a total 2012 net income of \$5.6 million, compared with \$15.3 million in 2011.

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Condensed Statements of Cash Flows

Years Ended June 30, 2012, 2011 and 2010

(in thousands)

	2012	2011	2010	% Change	
				current yr	prior yr
NET CASH PROVIDED BY (USED IN)					
Operating activities	\$ (257,974)	\$ (251,049)	\$ (228,670)	(3) %	(10) %
Investing activities	191	260	372	(27)	(30)
Capital and related financing activities	(47,976)	(67,066)	148,792	28	(145)
Noncapital financing activities	238,189	275,269	250,086	(13)	10
Net change in cash and cash equivalents	(67,570)	(42,586)	170,580	(59)	(125)
CASH AND CASH EQUIVALENTS					
Cash and cash equivalents, beginning of year	266,840	309,426	138,846	(14)	123
Cash and cash equivalents, end of year	\$ 199,270	\$ 266,840	\$ 309,426	(25) %	(14) %

Major sources of *operating activity* cash inflows include receipts of student tuition and fees (\$95.4 million, down 1.3% from 2011) and receipts from government grants and contracts (\$107.5 million, up 1.4% from 2011). Cash is also received from private grants and contracts, miscellaneous auxiliary and educational sales, and other activities. The largest operating cash outflows include salaries paid to employees (\$244.6 million, up 3.6% from 2011), fringe benefits paid on behalf of employees (\$106.1 million, down 0.6% from 2011), vendor payments (\$78.4 million, up 0.2% from 2011 following a 9.0% increase in 2010) and payments to students (\$45.2 million, down 2.2% from 2011 following an increase of 16.3% in 2010) including financial aid grants and loans (above the amounts applied to tuition and fee charges), student work study or other employment, and tuition and fee refunds. Net cash provided by operating activities declined 2.8% during fiscal year 2012 after a decrease of 9.8% during fiscal year 2011.

The largest inflow of cash related to *non-capital financing* is State appropriations (\$226.1 million), including general fund appropriations for salaries and related fringe benefits, and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. Unlike the four-year public institutions in Connecticut, the Community Colleges do not actually receive cash from the State in support of the general fund appropriation. However, the appropriation is treated like a cash equivalent for accounting and reporting purposes, and is included in the cash flow statement. Additionally, the CCC's do not actually have a State appropriation for fringe benefits, nor do they receive cash, again unlike the other public units of higher education. Fringe benefit payments are made by the Connecticut State Comptroller on behalf of the CCC's, and information regarding the associated fringe benefit expense is provided to the System with each biweekly payroll. This is also treated as a cash equivalent on the cash flow statement, as both a non-operating cash inflow and an operating cash outflow. While this is a somewhat unusual treatment, to not include the general fund appropriation and fringe benefits as a cash item would seriously impact the usefulness of the cash flow statement as an indicator of Community College activity and invalidate comparison with other institutions of higher education. Other non-capital financing cash inflows include private gift receipts of \$1.9 million, Federal Family Education Loan Program (FFELP) receipts of \$10.2 million. In addition, non-capital financing cash inflows and outflows occur between individual colleges and the System Office during the course of the fiscal year, in order to transfer resources in conjunction with budgeted spending authority. These inflows and outflows net to zero for the System as a whole, and are not reflected on the system-wide cash flow statement. However, these resource moves represent a significant impact to individual colleges and the System Office, and are reflected in the supplementary schedules where numbers by college are shown.

Capital financing cash flows result primarily from the receipt or reallocation of capital appropriations and from cash outlays made to purchase capital assets either by the CCC's directly, or by DPW on the System's behalf. During fiscal year 2012,

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capital financing net cash inflows of \$45.5 million reflected the receipt of bond appropriations \$30.2 million of which went to college facility projects administered by DCS, and \$7.8 million for facility and equipment upgrades to the manufacturing technology programs at Housatonic, Naugatuck Valley and Quinebaug Valley. Cash provided by *investing activities* represents interest income earned on operating fund cash balances invested by the State treasurer on behalf of the System, and distributed quarterly. Cash inflows from the Short Term Investment Fund ("STIF") fell from \$260 thousand in fiscal year 2011 to \$191 thousand in fiscal year 2012.

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Economic Outlook

Looking ahead to fiscal year 2013, the CCCs confront several challenges and opportunities. There are two factors that will figure most prominently in the financial success of the system in the near term: Enrollment growth and the continuing financial stress faced by the state of Connecticut, which is lagging behind the rest of country in its recovery from the recent recession.

Enrollment growth in the near term is expected to be flat or declining although fall 2012 enrollments increased slightly. Credit headcount enrollment rose by 1.8% from 57,674 students to 58,730 students. FTE enrollment in fall 2012 was up by only 229 students (0.7%), growing from 33,298 FTE students to 33,527 FTE students.

Despite credit enrollment increases of nearly 14% and more than 7,000 students from fall 2009 to fall 2011, State general fund resources have declined each year in actual dollars from fiscal years 2009 through 2012. State appropriations represented about 46% of total revenues in fiscal year 2011, but dropped to 43% in fiscal year 2012.

Fiscal years 2010 and 2011 saw negotiated wage concessions, unpaid furlough days and health benefit changes from virtually all employee unions, in exchange for job security provisions through fiscal year 2011. In fiscal year 2011, this was coupled with budget reductions which resulted in the elimination of 132 positions and the transfer of other critical positions as well as adjunct faculty and clinical obligations from general fund state support to the operating fund supported by student tuition and fees. During the 2011 legislative session, even more severe reductions were enacted in the two-year State operating budgets for fiscal years 2012 and 2013, with new wage concessions including a two-year wage freeze in exchange for four years of job security for most State employees through fiscal year 2015.

Approximately \$4.9 million of the fiscal year 2012 budget reduction was covered by the wage freeze, \$10.1 million by the elimination and transfer of non-faculty positions, \$5.8 million by the transfer of fiscal year 2012 one-time "27th payroll" obligations to the operating fund at a cost including fringe benefits of about \$8.6 million, and the balance through additional budget eliminations and transfer of obligations to student tuition and fee support.

The fiscal year 2013 general fund net operating budget is \$5.7 million lower than the amount of funding required to continue all activities at the same "current services" level as in 2012. The community colleges will face further budget reductions of 5% in fiscal year 2013 due to recent projections of lowered state tax revenues. This coupled with reductions in tuition revenues forecasted for fiscal year 2013, notwithstanding the modest increase in enrollments, will put further pressure on the System to meet current service levels with existing operating resources if the System is unable to reduce its complement of full-time positions under existing collective bargaining agreements described above. The System may be forced to transfer more personnel costs to its operating funds or use reserves to meet operating needs in the short term.

Since its official formation in January, 2012, the Board of Regents has initiated a number of actions to address some of these issues. The establishment of a new policy on transfer articulation between the community colleges and the state universities will assist students enrolling in the community colleges who aspire to complete a four-year degree within the Connecticut State Colleges & Universities. This is expected to have a positive impact on enrollment throughout the system. The implementation of a new manufacturing center initiative at three of the colleges – Housatonic, Naugatuck Valley and Quinebaug Valley – modeled on the success of the program at Asnuntuck, will help increase enrollments in programs that offer a direct job placement benefit to students while also serving the economic development needs of the state. This program was initiated with the support of the Governor and General Assembly in the form of \$20 million in bond funding to renovate existing facilities.

The Board also has engaged consulting support to review current enrollment management policies and practices with the goal of formulating new strategies to increase recruitment and retention of students. With the passage of Public Act 12-40, a move strongly supported by board leadership, the system is also examining its policies for the delivery of remedial and developmental programs in order to improve the success rates of students. While this may have a short term negative effect on enrollment, the longer term benefit will be to strengthen student retention throughout the system.

As the integration of the community colleges, state universities and Charter Oak State College moves forward, the Board anticipates opportunities to streamline policies and procedures, increase efficiencies through collaborative programs and

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initiatives, and reduce cost at the system and institutional level through joint procurement, consolidation of information technology services and better and more effective use of capital facilities. One of the first areas where savings has been achieved is system office operations, where more than \$5 million in savings has been realized to date due to position consolidation and elimination. Finally, the Board expects to introduce a new budget allocation model for the community colleges in spring, 2013 that, among other things, will provide greater incentive to institutions to grow enrollment and seek more efficiency while promoting increased accountability.

The community colleges system is not unlike other systems in the nation that have witnessed erosion in state resources over the last few years. The decision by state leadership to integrate the three systems will over the long term help strengthen higher education in Connecticut and lead to a community college system that will be better able to meet the needs of students, support economic development goals and cope with a more constrained state fiscal environment.

Additional Information

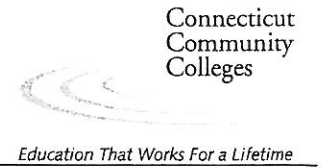
This financial report is designed to provide a general overview of CCC's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to Bill Bowes, Chief Financial Officer, Board of Regents for Higher Education, Connecticut State Colleges and Universities (860-493-0251). College-specific questions may also be directed to the Dean of Administration at each individual college.

SUPPLEMENTARY SCHEDULES

Connecticut Community Colleges
Combining Statement of Net Assets
June 30, 2012
(in thousands)

	Primary Institution												System Office	Combined Total
	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College		
Assets														
Current assets														
Cash and cash equivalents	\$ 6,385	\$ 13,146	\$ 31,512	\$ 17,974	\$ 8,087	\$ 6,195	\$ 15,618	\$ 5,647	\$ 8,363	\$ 6,532	\$ 11,643	\$ 19,590	\$ 48,578	\$ 199,270
Accounts receivable, due from the State	824	1,698	2,710	1,866	2,893	1,160	3,061	923	2,513	950	2,066	1,949	804	23,417
Accounts receivable other, net	250	909	963	390	659	279	1,210	134	617	125	479	419	261	6,695
Prepaid expenses	13	16	12	38	19	62	19	1	1	3	5	8	8	205
Total current assets	7,472	15,769	35,197	20,268	11,658	7,696	19,908	6,705	11,494	7,610	14,193	21,966	49,651	229,587
Non-current assets														
Capital assets, net	5,433	50,485	183,272	80,822	64,675	6,785	49,868	23,208	47,582	11,870	82,062	40,037	3,899	649,998
Student loans, net	2	1	(6)	1	28	108	158	1	1	-	87	120	-	501
Total non-current assets	5,435	50,486	183,266	80,823	64,703	6,893	50,026	23,209	47,583	11,870	82,149	40,157	3,899	650,499
Total assets	12,907	66,255	218,463	101,091	76,361	14,589	69,934	29,914	59,077	19,480	96,342	62,123	53,550	880,086
Liabilities														
Current liabilities														
Accounts payable	127	137	4,823	306	201	104	255	94	613	84	227	119	1,603	8,693
Accrued expenses-salary and fringe benefits	885	2,034	3,403	2,128	3,233	1,198	3,301	1,011	2,896	1,011	2,263	2,186	1,575	27,124
Accrued compensated absences-current portion	138	245	308	278	330	183	422	155	301	170	339	312	227	3,408
Deferred revenue	37	626	165	83	40	103	328	107	630	180	81	86	813	3,279
Unapplied payments	347	414	1,268	991	2,132	715	1,967	339	1,556	286	942	1,388	-	12,345
Retainage	-	-	4,242	15	-	-	366	-	20	-	-	252	34	4,929
Agency and loan fund liabilities	58	15	19	59	173	111	264	51	201	54	171	85	-	1,261
Other liabilities	2	4	62	11	32	48	57	4	-	9	37	19	-	285
Total current liabilities	1,594	3,475	14,290	3,871	6,141	2,462	6,960	1,761	6,217	1,794	4,060	4,447	4,252	61,324
Non-current liabilities														
Accrued compensated absences-long term portion	1,513	2,757	3,664	2,846	3,885	1,990	4,355	1,719	3,796	1,687	3,038	3,079	2,422	36,751
Other long-term liabilities	-	(22)	(33)	-	(28)	88	117	-	-	-	76	111	-	309
Total non-current liabilities	1,513	2,735	3,631	2,846	3,857	2,078	4,472	1,719	3,796	1,687	3,114	3,190	2,422	37,060
Total liabilities	3,107	6,210	17,921	6,717	9,998	4,540	11,432	3,480	10,013	3,481	7,174	7,637	6,674	98,384
Net assets														
Invested in capital assets, net of related debt	5,433	50,485	183,272	80,822	64,675	6,784	49,868	23,208	47,583	11,870	82,062	40,037	3,899	649,998
Restricted														
Nonexpendable	-	-	-	20	-	-	-	-	-	-	-	-	-	20
Expendable	2,983	7,171	17,563	6,833	1,185	1,249	8,157	2,955	1,075	1,448	3,712	16,016	33,019	103,366
Unrestricted	1,384	2,389	(293)	6,699	503	2,016	477	271	406	2,681	3,394	(1,567)	9,958	28,318
Total net assets	9,800	60,045	200,542	94,374	66,363	10,049	58,502	26,434	49,064	15,999	89,168	54,486	46,876	781,702
Total liabilities and net assets	\$ 12,907	\$ 66,255	\$ 218,463	\$ 101,091	\$ 76,361	\$ 14,589	\$ 69,934	\$ 29,914	\$ 59,077	\$ 19,480	\$ 96,342	\$ 62,123	\$ 53,550	\$ 880,086

Connecticut Community Colleges
Combining Statement of Net Assets
June 30, 2011
(in thousands)

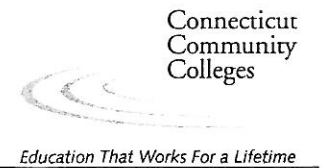


	Primary Institution													
	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Assets														
Current assets														
Cash and cash equivalents	\$ 5,504	\$ 12,692	\$ 106,485	\$ 15,068	\$ 11,164	\$ 6,348	\$ 11,657	\$ 5,693	\$ 17,975	\$ 6,085	\$ 11,287	\$ 8,593	\$ 48,289	\$ 266,840
Accounts receivable, due from the State	995	2,075	3,381	2,170	3,582	1,620	3,700	1,022	2,959	1,027	2,417	2,314	985	28,247
Accounts receivable other, net	448	1,838	1,068	705	1,084	522	1,644	282	803	301	902	612	(2,819)	7,390
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	15	25	6	49	24	42	56	6	6	4	1	7	2	243
Total current assets	6,962	16,630	110,940	17,992	15,854	8,532	17,057	7,003	21,743	7,417	14,607	11,526	46,457	302,720
Non-current assets														
Capital assets, net	5,640	52,176	110,703	83,289	66,886	7,362	52,443	22,714	40,819	12,150	84,340	37,373	2,536	578,431
Student loans, net	-	8	6	31	33	47	168	-	2	-	79	130	-	504
Total non-current assets	5,640	52,184	110,709	83,320	66,919	7,409	52,611	22,714	40,821	12,150	84,419	37,503	2,536	578,935
Total assets	12,602	68,814	221,649	101,312	82,773	15,941	69,668	29,717	62,564	19,567	99,026	49,029	48,993	881,655
Liabilities														
Current liabilities														
Accounts payable	75	126	118	1,104	246	120	289	84	489	54	219	134	933	3,991
Accrued expenses-salary and fringe benefits	1,368	2,628	4,391	3,061	4,447	2,176	4,784	1,232	4,177	1,339	3,105	2,995	1,334	37,037
Accrued compensated absences-current portion	78	141	180	128	204	91	210	83	186	84	140	147	140	1,812
Deferred revenue	123	382	186	200	77	110	220	57	815	212	104	79	709	3,274
Unapplied payments	246	476	1,227	743	2,151	791	2,097	316	1,242	261	1,140	1,298	-	11,988
Retainage	-	-	4,242	31	-	-	366	10	884	-	100	-	13	5,646
Agency and loan fund liabilities	61	51	18	52	199	100	215	49	192	47	183	107	-	1,274
Other liabilities	3	2	43	14	40	20	83	12	2	2	26	13	-	260
Total current liabilities	1,954	3,806	10,405	5,333	7,364	3,408	8,264	1,843	7,987	1,999	5,017	4,773	3,129	65,282
Non-current liabilities														
Accrued compensated absences-long term portion	1,696	3,056	3,850	2,908	4,341	2,026	4,697	1,811	3,893	1,900	3,330	3,351	3,025	39,884
Other long-term liabilities	-	(15)	(29)	(11)	(27)	152	116	-	-	-	116	117	-	419
Total non-current liabilities	1,696	3,041	3,821	2,897	4,314	2,178	4,813	1,811	3,893	1,900	3,446	3,468	3,025	40,303
Total liabilities	3,650	6,847	14,226	8,230	11,678	5,586	13,077	3,654	11,880	3,899	8,463	8,241	6,154	105,585
Net assets														
Invested in capital assets, net of related debt	5,640	52,175	110,703	83,290	66,888	7,362	52,443	22,714	40,818	12,149	84,341	37,372	2,536	578,431
Restricted														
Nonexpendable	-	-	-	20	-	-	-	-	-	-	-	-	-	20
Expendable	1,966	7,418	95,144	2,024	2,522	1,121	4,146	3,066	8,529	1,025	2,941	4,242	24,285	158,429
Unrestricted	1,346	2,374	1,576	7,748	1,685	1,872	2	283	1,337	2,494	3,281	(826)	16,018	39,190
Total net assets	8,952	61,967	207,423	93,082	71,095	10,355	56,591	26,063	50,684	15,668	90,563	40,788	42,839	776,070
Total liabilities and net assets	\$ 12,602	\$ 68,814	\$ 221,649	\$ 101,312	\$ 82,773	\$ 15,941	\$ 69,668	\$ 29,717	\$ 62,564	\$ 19,567	\$ 99,026	\$ 49,029	\$ 48,993	\$ 881,655

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
(in thousands)

	Primary Institution													
	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Operating revenues														
Student tuition and fees	\$ 5,425	\$ 13,593	\$ 21,363	\$ 17,044	\$ 22,067	\$ 8,849	\$ 21,825	\$ 4,229	\$ 20,989	\$ 5,967	\$ 14,074	\$ 14,436	\$ 20	\$ 169,881
Less: Scholarship discounts and allowances	(2,182)	(9,002)	(10,337)	(9,203)	(7,969)	(3,389)	(8,124)	(1,806)	(7,376)	(3,073)	(6,608)	(4,895)	-	(73,964)
Net tuition and fees	3,243	4,591	11,026	7,841	14,098	5,460	13,701	2,423	13,613	2,894	7,466	9,541	20	95,917
Federal grants and contracts	2,249	10,816	11,915	11,098	9,839	3,779	10,299	2,332	8,251	3,227	7,612	5,867	2,914	90,198
State and local grants and contracts	298	1,610	2,213	2,182	1,531	764	1,625	263	1,202	1,113	1,038	759	2,374	16,972
Private grants and contracts	41	300	128	430	98	9	71	124	4,421	99	290	57	109	6,177
Sales and services of educational departments	-	18	18	125	12	7	57	(1)	260	-	-	111	-	607
Other operating revenues	234	383	676	424	607	253	492	127	396	190	753	324	11	4,870
Total operating revenues	6,065	17,718	25,976	22,100	26,185	10,272	26,245	5,268	28,143	7,523	17,159	16,659	5,428	214,741
Operating expenses														
Instruction	6,267	15,496	24,600	14,639	22,068	7,460	22,777	5,754	21,508	6,305	14,544	14,125	-	175,543
Public service	1	92	37	-	24	9	366	213	85	32	-	13	-	872
Academic support	2,964	4,473	8,584	6,858	7,419	3,873	8,319	3,238	7,452	3,064	5,175	5,994	6,589	74,002
Library	426	724	1,409	972	1,164	642	1,005	509	948	537	568	1,148	-	10,052
Student services	1,711	2,940	4,861	3,085	5,158	2,326	4,235	1,590	4,241	1,807	3,795	3,084	223	39,056
Scholarship aid, net	1,076	4,578	5,368	5,917	5,346	1,765	4,580	867	4,525	1,531	3,513	3,046	630	42,742
Institutional support	2,289	4,158	4,954	3,620	5,646	3,451	4,926	2,329	6,549	1,941	3,931	3,750	17,915	65,459
Physical plant	1,271	4,954	7,025	5,174	6,062	1,426	7,160	1,774	5,471	1,409	3,004	2,909	1,236	48,875
Depreciation	453	2,104	620	2,950	2,991	856	3,178	1,013	1,534	633	2,913	1,451	747	21,443
Total operating expenses	16,458	39,519	57,458	43,215	55,878	21,808	56,546	17,287	52,313	17,259	37,443	35,520	27,340	478,044
Operating (loss) income	(10,393)	(21,801)	(31,482)	(21,115)	(29,693)	(11,536)	(30,301)	(12,019)	(24,170)	(9,736)	(20,284)	(18,861)	(21,912)	(263,303)
Nonoperating revenues (expenses)														
State appropriations - general fund	9,154	16,286	21,557	17,028	26,856	10,674	26,481	9,950	22,193	8,806	17,195	16,382	17,414	219,976
State appropriations - bond funds	1,254	256	3,348	5,300	378	345	5,921	1,556	330	626	1,147	16,267	10,000	46,728
Private gifts	140	11	732	-	-	176	14	237	566	146	56	6	-	2,084
Interest income	6	10	12	20	13	8	12	5	14	8	13	7	35	163
Other non-operating revenues (expenses), net	-	-	1	4	4	-	-	-	(27)	-	-	2	-	(16)
Net non-operating revenues	10,554	16,563	25,650	22,352	27,251	11,203	32,428	11,748	23,076	9,586	18,411	32,664	27,449	268,935
Net income (loss) before other changes	161	(5,238)	(5,832)	1,237	(2,442)	(333)	2,127	(271)	(1,094)	(150)	(1,873)	13,803	5,537	5,632
Other changes														
Capital and other additions (deductions)	-	-	88	-	-	-	-	-	4	207	-	-	(299)	-
Interagency transfers	687	3,316	(1,137)	55	(2,290)	27	(216)	642	(530)	274	478	(105)	(1,201)	-
Total other changes	687	3,316	(1,049)	55	(2,290)	27	(216)	642	(526)	481	478	(105)	(1,500)	-
Change in net assets	848	(1,922)	(6,881)	1,292	(4,732)	(306)	1,911	371	(1,620)	331	(1,395)	13,698	4,037	5,632
Net assets at beginning of year	8,952	61,967	207,423	93,082	71,095	10,355	56,591	26,063	50,684	15,668	90,563	40,788	42,839	776,070
Net assets at end of year	\$ 9,800	\$ 60,045	\$ 200,542	\$ 94,374	\$ 66,363	\$ 10,049	\$ 58,502	\$ 26,434	\$ 49,064	\$ 15,999	\$ 89,168	\$ 54,486	\$ 46,876	\$ 781,702

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2011
(in thousands)



	Primary Institution													
	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Operating revenues														
Student tuition and fees	\$ 5,433	\$ 13,063	\$ 20,554	\$ 17,116	\$ 22,133	\$ 8,431	\$ 21,365	\$ 4,323	\$ 20,990	\$ 6,162	\$ 13,789	\$ 14,141	\$ 26	\$ 167,526
Less: Scholarship discounts and allowances	(2,136)	(8,481)	(9,613)	(8,882)	(7,867)	(3,105)	(6,896)	(1,836)	(6,940)	(3,206)	(6,214)	(4,895)	-	(70,071)
Net tuition and fees	3,297	4,582	10,941	8,234	14,266	5,326	14,469	2,487	14,050	2,956	7,575	9,246	26	97,455
Federal grants and contracts	2,695	10,647	11,258	11,297	9,588	3,612	8,862	2,706	8,102	3,476	7,276	5,560	3,966	89,045
State and local grants and contracts	344	1,551	2,229	2,346	1,546	770	1,659	374	1,301	1,087	956	838	2,876	17,877
Private grants and contracts	38	371	273	476	267	15	192	102	2,122	122	254	71	123	4,426
Sales and services of educational departments	-	18	14	108	12	3	75	-	216	-	-	92	-	538
College owned bookstores	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating revenues	156	128	686	447	697	246	475	116	368	161	731	331	274	4,816
Total operating revenues	6,530	17,297	25,401	22,908	26,376	9,972	25,732	5,785	26,159	7,802	16,792	16,138	7,265	214,157
Operating expenses														
Instruction	6,411	15,696	23,397	14,989	21,811	8,646	23,646	5,588	21,418	6,215	15,276	14,248	-	177,341
Public service	1	92	24	-	19	46	252	172	-	5	5	17	-	633
Academic support	3,089	4,343	6,836	6,508	7,261	3,735	8,677	3,297	7,361	3,362	5,736	6,244	7,094	73,543
Library	513	671	1,002	972	1,292	807	1,106	502	939	587	630	1,114	-	10,135
Student services	1,800	3,230	5,034	3,211	5,424	2,354	4,335	1,696	4,534	2,062	3,735	3,292	277	40,984
Scholarship aid, net	1,208	4,804	5,589	6,061	5,152	1,789	4,936	930	4,512	1,656	3,255	2,814	1,288	43,994
Institutional support	2,488	4,360	4,998	3,518	6,464	3,312	5,176	2,382	5,855	2,242	3,890	3,986	16,989	65,660
Physical plant	1,376	4,962	3,678	5,847	6,544	1,549	7,604	1,871	4,790	1,633	3,299	2,993	769	46,915
Depreciation	470	2,106	676	2,876	3,022	754	3,195	1,008	1,046	639	2,762	1,476	750	20,780
Total operating expenses	17,356	40,264	51,234	43,982	56,989	22,992	58,927	17,446	50,455	18,401	38,588	36,184	27,167	479,985
Operating (loss) income	(10,826)	(22,967)	(25,833)	(21,074)	(30,613)	(13,020)	(33,195)	(11,661)	(24,296)	(10,599)	(21,796)	(20,046)	(19,902)	(265,828)
Nonoperating revenues (expenses)														
State appropriations - general fund	9,565	18,161	24,425	18,854	29,758	12,256	29,570	10,631	24,590	9,570	19,589	18,463	19,350	244,782
State appropriations - bond funds	1,881	1,944	1,897	1,344	2,922	899	4,162	2,237	1,849	661	2,333	1,574	12,424	36,127
Private gifts	34	11	66	2	30	57	65	152	381	131	37	7	-	973
Mandatory transfer to State	-	-	-	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Interest income	8	14	20	33	22	12	18	7	22	12	18	11	52	249
Other non-operating revenues (expenses), net	(9)	-	1	3	3	-	1	-	14	-	1	6	(4)	16
Net non-operating revenues	11,479	20,130	26,409	20,236	32,735	13,224	33,816	13,027	26,856	10,374	21,978	20,061	30,822	281,147
Net income (loss) before other changes	653	(2,837)	576	(838)	2,122	204	621	1,366	2,560	(225)	182	15	10,920	15,319
Other changes														
Capital and other additions (deductions)	-	-	121	-	-	-	-	-	67	131	-	-	(319)	-
Interagency transfers	541	3,071	384	(696)	(2,900)	(475)	(594)	440	(1,152)	50	51	(454)	1,734	-
Total other changes	541	3,071	505	(696)	(2,900)	(475)	(594)	440	(1,085)	181	51	(454)	1,415	-
Change in net assets	1,194	234	1,081	(1,534)	(778)	(271)	27	1,806	1,475	(44)	233	(439)	12,335	15,319
Net assets at beginning of year	7,758	61,733	206,342	94,616	71,873	10,626	56,564	24,257	49,209	15,712	90,330	41,227	30,504	760,751
Net assets at end of year	\$ 8,952	\$ 61,967	\$ 207,423	\$ 93,082	\$ 71,095	\$ 10,355	\$ 56,591	\$ 26,063	\$ 50,684	\$ 15,668	\$ 90,563	\$ 40,788	\$ 42,839	\$ 776,070

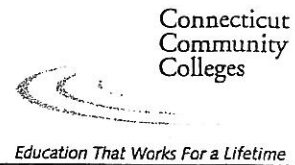
Connecticut Community Colleges
Combining Statement of Cash Flows
Year Ended June 30, 2012
(in thousands)

	Primary Institution													Combined Total
	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	
Cash flows from operating activities														
Student tuition and fees	\$ 3,230	\$ 4,578	\$ 10,444	\$ 8,166	\$ 14,100	\$ 5,368	\$ 13,116	\$ 2,485	\$ 14,245	\$ 2,880	\$ 7,092	\$ 9,467	\$ 233	\$ 95,404
Government grants and contracts	2,516	13,089	14,046	13,274	10,899	4,520	11,967	2,612	9,452	4,440	8,696	6,567	5,461	107,539
Private grants and contracts	27	393	96	349	70	13	86	171	4,038	9	211	63	192	5,718
Sales and services of educational departments	-	14	19	208	12	6	56	-	260	-	-	111	-	686
Payments to employees	(9,267)	(19,145)	(28,790)	(19,878)	(28,715)	(11,664)	(29,846)	(9,456)	(26,696)	(9,604)	(18,917)	(19,317)	(13,350)	(244,645)
Payments for fringe benefits	(4,220)	(8,080)	(11,389)	(8,581)	(13,270)	(5,015)	(13,850)	(4,545)	(11,112)	(3,969)	(8,716)	(8,953)	(4,350)	(106,050)
Payments to students	(1,403)	(4,907)	(5,150)	(6,157)	(5,568)	(2,217)	(4,965)	(887)	(4,461)	(1,260)	(4,193)	(3,348)	(647)	(45,163)
Payments to vendors	(2,118)	(7,387)	(8,958)	(8,553)	(7,566)	(3,818)	(7,864)	(1,780)	(10,195)	(2,255)	(5,081)	(4,468)	(8,365)	(78,408)
Payments by Department of Public Works	-	-	-	-	(59)	-	-	(30)	(74)	-	-	-	(185)	(348)
Other receipts (payments), net	219	462	822	585	1,250	351	854	188	703	248	700	590	321	7,293
Net cash used in operating activities	(11,016)	(20,983)	(28,860)	(20,587)	(28,847)	(12,456)	(30,446)	(11,242)	(23,840)	(9,511)	(20,208)	(19,288)	(20,690)	(257,974)
Cash flows from investing activities														
Interest income	6	11	14	24	16	9	14	6	18	9	15	8	41	191
Net cash provided by investing activities	6	11	14	24	16	9	14	6	18	9	15	8	41	191
Cash flows from capital and related financing activities														
State appropriations	1,260	397	3,496	5,300	203	395	5,389	1,638	16	790	1,349	16,515	8,704	45,452
Payments by Department of Public Works	(39)	(31)	(69,882)	(106)	(256)	-	(327)	(1,339)	(7,546)	(51)	(163)	(3,598)	-	(83,338)
Purchase of capital assets	(118)	(383)	(2,944)	(636)	(519)	(179)	(296)	(178)	(1,809)	(93)	(555)	(264)	(2,116)	(10,090)
Interagency transfers	-	15	(1,776)	-	69	-	(123)	40	242	-	-	-	1,533	-
Net cash (used in) provided by capital and related financing activities	1,103	(2)	(71,106)	4,558	(503)	216	4,643	161	(9,097)	646	631	12,653	8,121	(47,976)
Cash flows from noncapital financing activities														
State appropriations	9,479	16,791	22,427	17,489	28,100	11,281	28,018	10,128	23,317	8,883	17,604	16,746	15,819	226,082
Private gifts	40	12	778	-	-	75	47	235	557	141	53	2	-	1,940
Federal Family Education Loan Program (FFELP)	582	1,315	1,059	1,366	487	694	1,724	88	117	2	1,764	969	-	10,167
Mandatory Transfer to State	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interagency transfers	687	3,310	715	56	(2,330)	28	(39)	578	(684)	277	497	(93)	(3,002)	-
Net cash provided by noncapital financing activities	10,788	21,428	24,979	18,911	26,257	12,078	29,750	11,029	23,307	9,303	19,918	17,624	12,817	238,189
Net increase (decrease) in cash and cash equivalents	881	454	(74,973)	2,906	(3,077)	(153)	3,961	(46)	(9,612)	447	356	10,997	289	(67,570)
Cash and cash equivalents at beginning of year	5,504	12,692	106,485	15,068	11,164	6,348	11,657	5,693	17,975	6,085	11,287	8,593	48,289	266,840
Cash and cash equivalents at end of year	\$ 6,385	\$ 13,146	\$ 31,512	\$ 17,974	\$ 8,087	\$ 6,195	\$ 15,618	\$ 5,647	\$ 8,363	\$ 6,532	\$ 11,643	\$ 19,590	\$ 48,578	\$ 199,270

Connecticut Community Colleges
Combining Statement of Cash Flows
Year Ended June 30, 2011
(in thousands)

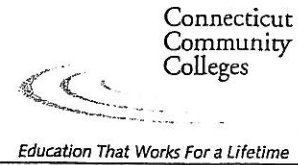
	Primary Institution													Combined Total
	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	
Cash flows from operating activities														
Student tuition and fees	\$ 3,217	\$ 4,560	\$ 10,698	\$ 8,343	\$ 14,095	\$ 5,409	\$ 13,380	\$ 2,585	\$ 14,233	\$ 2,895	\$ 7,711	\$ 9,226	\$ 309	\$ 96,661
Government grants and contracts	3,023	11,910	13,379	13,525	10,681	4,402	10,425	3,073	9,463	4,657	8,298	6,437	6,812	106,085
Private grants and contracts	37	588	106	391	283	15	76	96	2,335	111	263	99	200	4,600
Sales and services of educational departments	-	12	14	100	13	3	74	-	212	-	-	90	-	518
Payments to employees	(8,905)	(18,461)	(27,386)	(19,049)	(28,179)	(11,160)	(29,349)	(9,003)	(26,062)	(9,444)	(18,241)	(18,700)	(12,263)	(236,202)
Payments for fringe benefits	(4,233)	(7,981)	(11,438)	(8,405)	(13,177)	(4,949)	(14,065)	(4,435)	(11,440)	(4,042)	(8,923)	(9,054)	(4,557)	(106,699)
Payments to students	(1,487)	(5,010)	(5,671)	(6,108)	(5,438)	(2,114)	(5,081)	(957)	(4,453)	(1,499)	(3,776)	(3,240)	(1,326)	(46,160)
Payments to vendors	(2,675)	(7,876)	(6,998)	(8,274)	(7,618)	(4,120)	(8,154)	(2,106)	(8,339)	(2,686)	(5,697)	(4,729)	(8,982)	(78,254)
Payments by Department of Public Works	-	-	-	-	(97)	-	-	-	-	-	-	-	(100)	(197)
Other receipts (payments), net	227	443	844	540	1,288	317	1,094	183	637	193	833	649	1,351	8,599
Net cash used in operating activities	(10,796)	(21,815)	(26,452)	(18,937)	(28,149)	(12,197)	(31,600)	(10,564)	(23,414)	(9,815)	(19,532)	(19,222)	(18,556)	(251,049)
Cash flows from investing activities														
Interest income	9	14	21	34	25	13	20	6	23	12	17	12	54	260
Net cash provided by investing activities	9	14	21	34	25	13	20	6	23	12	17	12	54	260
Cash flows from capital and related financing activities														
State appropriations	1,720	909	1,518	1,189	1,302	702	1,621	2,037	906	419	1,768	521	-	14,612
Payments by Department of Public Works	(1)	(23)	(59,389)	9	(14)	-	(401)	(171)	(13,528)	(16)	(999)	(437)	-	(74,970)
Purchase of capital assets	(417)	(275)	(289)	(970)	(681)	(368)	(395)	(332)	(818)	(294)	(584)	(427)	(858)	(6,708)
Interagency transfers	-	69	-	45	60	-	150	-	-	-	-	-	(324)	-
Net cash (used in) provided by capital and related financing activities	1,302	680	(58,160)	273	667	334	975	1,534	(13,440)	109	185	(343)	(1,182)	(67,066)
Cash flows from noncapital financing activities														
State appropriations	9,654	18,929	24,425	18,871	31,118	11,915	31,781	10,655	25,327	9,797	19,777	19,291	35,103	266,643
Private gifts	34	10	21	-	-	35	55	145	380	126	32	4	-	842
Federal Family Education Loan Program (FFELP)	493	1,002	1,162	947	446	566	1,474	16	85	5	1,499	1,089	-	8,784
Mandatory Transfer to State	-	-	-	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Interagency transfers	557	3,001	385	(740)	(2,984)	(328)	(747)	440	(1,148)	66	73	(458)	1,883	-
Net cash provided by noncapital financing activities	10,738	22,942	25,993	19,078	28,580	12,188	32,563	11,256	24,644	9,994	21,381	19,926	35,986	275,269
Net increase (decrease) in cash and cash equivalents	1,253	1,821	(58,598)	448	1,123	338	1,958	2,232	(12,187)	300	2,051	373	16,302	(42,586)
Cash and cash equivalents at beginning of year	4,251	10,871	165,083	14,620	10,041	6,010	9,699	3,461	30,162	5,785	9,236	8,220	31,987	309,426
Cash and cash equivalents at end of year	\$ 5,504	\$ 12,692	\$ 106,485	\$ 15,068	\$ 11,164	\$ 6,348	\$ 11,657	\$ 5,693	\$ 17,975	\$ 6,085	\$ 11,287	\$ 8,593	\$ 48,289	\$ 266,840

Connecticut Community Colleges
Combining Statement of Net Assets by Fund Group
June 30, 2012
(in thousands)



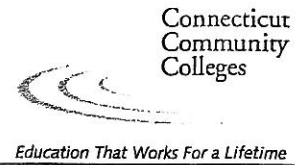
	Operating and General Funds	Endowment, Loan, and Agency Funds	Primary Institution		Invested in Capital Assets	Total
			Agency Administered Bond Funds	DPW Administered Bond Funds		
Assets						
Current assets						
Cash & cash equivalents	\$ 91,920	\$ 1,339	\$ 49,880	\$ 56,131	\$ -	\$ 199,270
Accounts receivable-general fund	23,417	-	-	-	-	23,417
Accounts receivable-other	6,678	17	-	-	-	6,695
Prepaid expense	205	-	-	-	-	205
Total current assets	<u>122,220</u>	<u>1,356</u>	<u>49,880</u>	<u>56,131</u>	<u>-</u>	<u>229,587</u>
Non-current assets						
Land and land/site improvements	-	-	-	-	22,737	22,737
Infrastructure	-	-	-	-	516	516
Buildings and building improvements	-	-	-	-	592,125	592,125
Furnishings and Equipment	-	-	-	-	66,566	66,566
Library books	-	-	-	-	8,558	8,558
Software	-	-	-	-	439	439
	-	-	-	-	690,941	690,941
Less: Accumulated depreciation	-	-	-	-	(222,748)	(222,748)
	-	-	-	-	468,193	468,193
Construction in progress	-	-	-	-	181,805	181,805
Capital Assets, net	-	-	-	-	649,998	649,998
Student loans, net						
Student loans receivable	-	527	-	-	-	527
Less: Allowance for doubtful loans	(26)	-	-	-	-	(26)
	(26)	527	-	-	-	501
Total non-current assets	<u>(26)</u>	<u>527</u>	<u>-</u>	<u>-</u>	<u>649,998</u>	<u>650,499</u>
Total assets	<u>\$ 122,194</u>	<u>\$ 1,883</u>	<u>\$ 49,880</u>	<u>\$ 56,131</u>	<u>\$ 649,998</u>	<u>\$ 880,086</u>
Liabilities						
Current liabilities						
Accounts payable	\$ 2,968	\$ -	\$ 5,725	\$ -	\$ -	\$ 8,693
Accrued expense - salary and fringe benefits	27,124	-	-	-	-	27,124
Accrued compensated absences-current portion	3,408	-	-	-	-	3,408
Deferred revenue	3,279	-	-	-	-	3,279
Unapplied payments	12,345	15	-	-	-	12,360
Retainage	-	-	34	4,895	-	4,929
Other liabilities	285	1,246	-	-	-	1,531
Total current liabilities	<u>49,409</u>	<u>1,261</u>	<u>5,759</u>	<u>4,895</u>	<u>-</u>	<u>61,324</u>
Non-current liabilities						
Accrued compensated absences-long term portion	36,751	-	-	-	-	36,751
Student loans	-	309	-	-	-	309
Total non-current liabilities	<u>36,751</u>	<u>309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,060</u>
Total liabilities	<u>86,160</u>	<u>1,570</u>	<u>5,759</u>	<u>4,895</u>	<u>-</u>	<u>98,384</u>
Net assets						
Invested in capital assets, net of related debt	-	-	-	-	649,998	649,998
Restricted						
Non-expendable	-	20	-	-	-	20
Expendable	7,716	293	44,121	51,236	-	103,366
Unrestricted	<u>28,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,318</u>
Total net assets	<u>36,034</u>	<u>313</u>	<u>44,121</u>	<u>51,236</u>	<u>649,998</u>	<u>781,702</u>
Total liabilities and net assets	<u>\$ 122,194</u>	<u>\$ 1,883</u>	<u>\$ 49,880</u>	<u>\$ 56,131</u>	<u>\$ 649,998</u>	<u>\$ 880,086</u>

Connecticut Community Colleges
Combining Statement of Net Assets by Fund Group
June 30, 2011
(in thousands)



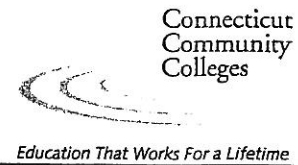
	Operating and General Funds	Endowment, Loan, and Agency Funds	Primary Institution		Invested in Capital Assets	Total
			Agency Administered Bond Funds	DPW Administered Bond Funds		
Assets						
Current assets						
Cash & cash equivalents	\$ 107,582	\$ 1,371	\$ 38,615	\$ 119,272	\$ -	\$ 266,840
Accounts receivable-general fund	28,247	-	-	-	-	28,247
Accounts receivable-other	7,330	60	-	-	-	7,390
Prepaid expense	243	-	-	-	-	243
Total current assets	<u>143,402</u>	<u>1,431</u>	<u>38,615</u>	<u>119,272</u>	<u>-</u>	<u>302,720</u>
Non-current assets						
Land and land/site improvements	-	-	-	-	22,737	22,737
Infrastructure	-	-	-	-	516	516
Buildings and building improvements	-	-	-	-	562,066	562,066
Furnishings and Equipment	-	-	-	-	62,020	62,020
Library books	-	-	-	-	8,969	8,969
Software	-	-	-	-	439	439
	-	-	-	-	656,747	656,747
Less: Accumulated depreciation	-	-	-	-	(206,798)	(206,798)
	-	-	-	-	449,949	449,949
Construction in progress	-	-	-	-	128,482	128,482
Capital Assets, net	-	-	-	-	578,431	578,431
Student loans, net						
Student loans receivable	-	587	-	-	-	587
Less: Allowance for doubtful loans	(83)	-	-	-	-	(83)
	(83)	587	-	-	-	504
Total non-current assets	<u>(83)</u>	<u>587</u>	<u>-</u>	<u>-</u>	<u>578,431</u>	<u>578,935</u>
Total assets	<u>\$ 143,319</u>	<u>\$ 2,018</u>	<u>\$ 38,615</u>	<u>\$ 119,272</u>	<u>\$ 578,431</u>	<u>\$ 881,655</u>
Liabilities						
Current liabilities						
Accounts payable	\$ 3,762	\$ -	\$ 229	\$ -	\$ -	\$ 3,991
Accrued expense - salary and fringe benefits	37,037	3	-	-	-	37,040
Accrued compensated absences-current portion	1,812	-	-	-	-	1,812
Deferred revenue	3,274	-	-	-	-	3,274
Unapplied payments	11,988	12	-	-	-	12,000
Retainage	-	-	13	5,633	-	5,646
Other liabilities	260	1,259	-	-	-	1,519
Total current liabilities	<u>58,133</u>	<u>1,274</u>	<u>242</u>	<u>5,633</u>	<u>-</u>	<u>65,282</u>
Non-current liabilities						
Accrued compensated absences-long term portion	39,884	-	-	-	-	39,884
Student loans	-	419	-	-	-	419
Total non-current liabilities	<u>39,884</u>	<u>419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,303</u>
Total liabilities	<u>98,017</u>	<u>1,693</u>	<u>242</u>	<u>5,633</u>	<u>-</u>	<u>105,585</u>
Net assets						
Invested in capital assets, net of related debt	-	-	-	-	578,431	578,431
Restricted						
Non-expendable	-	20	-	-	-	20
Expendable	6,112	305	38,373	113,639	-	158,429
Unrestricted	39,190	-	-	-	-	39,190
Total net assets	<u>45,302</u>	<u>325</u>	<u>38,373</u>	<u>113,639</u>	<u>578,431</u>	<u>776,070</u>
Total liabilities and net assets	<u>\$ 143,319</u>	<u>\$ 2,018</u>	<u>\$ 38,615</u>	<u>\$ 119,272</u>	<u>\$ 578,431</u>	<u>\$ 881,655</u>

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and
Changes in Net Assets by Fund Group
Year Ended June 30, 2012
(in thousands)



		Primary Institution				
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DPW Administered Bond Funds	Invested in Capital Assets	Total
Operating revenues						
Tuition and Fees	\$ 169,881	\$ -	\$ -	\$ -	\$ -	\$ 169,881
Less: Scholarship discounts and allowances	(73,964)	-	-	-	-	(73,964)
Net tuition and fees	95,917	-	-	-	-	95,917
Federal grants and contracts	90,198	-	-	-	-	90,198
State and local grants and contracts	16,972	-	-	-	-	16,972
Private grants and contracts	6,177	-	-	-	-	6,177
Sales and services of educational departments	607	-	-	-	-	607
Other operating revenues	4,807	-	-	-	63	4,870
Total operating revenues	214,678	-	-	-	63	214,741
Operating expenses						
Salaries and wages	238,646	-	-	-	-	238,646
Fringe benefits	104,146	-	-	-	-	104,146
Supplies and services	56,804	-	13,442	706	115	71,067
Scholarship aid, net	42,730	12	-	-	-	42,742
Depreciation	-	-	-	-	21,443	21,443
Total operating expenses	442,326	12	13,442	706	21,558	478,044
Operating (loss) income	(227,648)	(12)	(13,442)	(706)	(21,495)	(263,303)
Nonoperating revenues (expenses)						
State appropriations - general fund	219,976	-	-	-	-	219,976
State appropriations - bond funds	-	-	16,516	30,212	-	46,728
Private gifts	1,878	-	-	-	206	2,084
Interest income	163	-	-	-	-	163
Other Non-operating Revenue, net	22	-	-	(38)	-	(16)
Net non-operating revenues	222,039	-	16,516	30,174	206	268,935
Net income (loss) before other changes	(5,609)	(12)	3,074	29,468	(21,289)	5,632
Other changes						
Capital and other additions (deductions)	(2,932)	-	(7,325)	(82,599)	92,856	-
Interagency transfers	(727)	-	9,999	(9,272)	-	-
Total Other Changes	(3,659)	-	2,674	(91,871)	92,856	-
Change in net assets	(9,268)	(12)	5,748	(62,403)	71,567	5,632
Net assets at beginning of year	45,302	325	38,373	113,639	578,431	776,070
Net Assets at end of year	\$ 36,034	\$ 313	\$ 44,121	\$ 51,236	\$ 649,998	\$ 781,702

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and
Changes in Net Assets by Fund Group
Year Ended June 30, 2011
(in thousands)



			Primary Institution			
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DPW Administered Bond Funds	Invested in Capital Assets	Total
Operating revenues						
Tuition and Fees	\$ 167,526	\$ -	\$ -	\$ -	\$ -	\$ 167,526
Less: Scholarship discounts and allowances	(70,071)	-	-	-	-	(70,071)
Net tuition and fees	97,455	-	-	-	-	97,455
Federal grants and contracts	89,045	-	-	-	-	89,045
State and local grants and contracts	17,877	-	-	-	-	17,877
Private grants and contracts	4,426	-	-	-	-	4,426
Sales and services of educational departments	538	-	-	-	-	538
College owned bookstore	-	-	-	-	-	-
Other operating revenues	4,762	-	-	-	54	4,816
Total operating revenues	214,103	-	-	-	54	214,157
Operating expenses						
Salaries and wages	243,293	-	-	-	-	243,293
Fringe benefits	106,796	-	-	-	-	106,796
Supplies and services	60,208	-	4,147	607	160	65,122
Scholarship aid, net	43,994	-	-	-	-	43,994
Depreciation	-	-	-	-	20,780	20,780
Total operating expenses	454,291	-	4,147	607	20,940	479,985
Operating (loss) income	(240,188)	-	(4,147)	(607)	(20,886)	(265,828)
Nonoperating revenues (expenses)						
State appropriations - general fund	244,782	-	-	-	-	244,782
State appropriations - bond funds	-	-	31,000	5,127	-	36,127
Private gifts	872	-	-	-	101	973
Interest income	249	-	-	-	-	249
Mandatory transfer to State	(1,000)	-	-	-	-	(1,000)
Other Non-operating Revenue, net	29	-	-	(13)	-	16
Net non-operating revenues	244,932	-	31,000	5,114	101	281,147
Net income (loss) before other changes	4,744	-	26,853	4,507	(20,785)	15,319
Other changes						
Capital and other additions (deductions)	(3,897)	-	(2,880)	(76,598)	83,375	-
Interagency transfers	(102)	-	181	(79)	-	-
Total Other Changes	(3,999)	-	(2,699)	(76,677)	83,375	-
Change in net assets	745	-	24,154	(72,170)	62,590	15,319
Net assets at beginning of year	44,557	325	14,219	185,809	515,841	760,751
Net Assets at end of year	\$ 45,302	\$ 325	\$ 38,373	\$ 113,639	\$ 578,431	\$ 776,070



Report of Independent Auditors

To the Board of Regents
of the Connecticut Community Colleges:

In our opinion, based on our audit and the reports of other auditors, the accompanying statements of net assets, and statements of net assets-component units, and the related statements of revenues, expenses and changes in net assets, statements of revenues, expenses and changes in net assets-component units, and of cash flows where applicable present fairly, in all material respects, the financial position of the Connecticut Community Colleges ("CCC"), its component units Great Path Academy ("GPA") and Quinebaug Valley Middle College High School ("QVMCHS") and its aggregate discretely presented component units (affiliated college foundations (the "Foundations")) at June 30, 2012 and 2011, and the changes in their revenues, expenses, and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the CCC's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Foundations, which statements reflect total assets of \$45.8 million and \$49.0 million and total net assets of \$43.4 million and \$46.8 million as of June 30, 2012 and 2011, respectively, and total revenues, capital gains and losses and other support of \$5.3 million and \$9.6 million for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based on the report of the other auditors. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

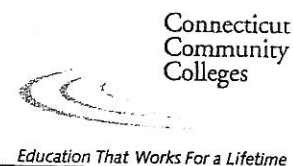
The accompanying Management's Discussion and Analysis on pages 1 through 16 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the CCC's basic financial statements. The supplemental information included on pages 37 through 47 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, the supplementary information, based on our audit, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 17, 2012

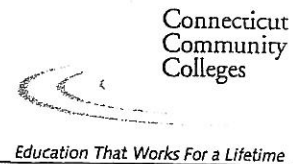
Connecticut Community Colleges
Statements of Net Assets
June 30, 2012 and 2011



	Primary Institution (in thousands)		Component Unit Magnet High Schools (in thousands)	
	2012	2011	2012	2011
Assets				
Current assets				
Cash and cash equivalents	\$ 199,270	\$ 266,840	\$ 23,155	\$ 1,150
Accounts receivable, due from the State	23,417	28,247	27	42
Accounts receivable other, net	6,695	7,390	77	411
Prepaid expenses	205	243	-	-
Total current assets	<u>229,587</u>	<u>302,720</u>	<u>23,259</u>	<u>1,603</u>
Non-current assets				
Capital assets, net	649,998	578,431	32,041	32,304
Student loans, net	501	504	-	-
Total non-current assets	<u>650,499</u>	<u>578,935</u>	<u>32,041</u>	<u>32,304</u>
Total assets	<u>\$ 880,086</u>	<u>\$ 881,655</u>	<u>\$ 55,300</u>	<u>\$ 33,907</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 8,693	\$ 3,991	\$ 186	\$ 92
Accrued expenses - salary and fringe benefits	27,124	37,037	43	68
Accrued compensated absences - current portion	3,408	1,812	2	2
Deferred revenue	3,279	3,274	140	208
Unapplied payments	12,345	11,988	-	-
Retainage	4,929	5,646	-	-
Agency and loan fund liabilities	1,261	1,274	-	-
Other liabilities	285	260	-	-
Total current liabilities	<u>61,324</u>	<u>65,282</u>	<u>371</u>	<u>370</u>
Non-current liabilities				
Accrued compensated absences - long term portion	36,751	39,884	37	45
Other long-term liabilities	309	419	-	-
Total non-current liabilities	<u>37,060</u>	<u>40,303</u>	<u>37</u>	<u>45</u>
Total liabilities	<u>98,384</u>	<u>105,585</u>	<u>408</u>	<u>415</u>
Net assets				
Invested in capital assets, net of related debt	649,998	578,431	32,041	32,304
Restricted				
Nonexpendable	20	20	-	-
Expendable	103,366	158,429	23,004	1,346
Unrestricted	28,318	39,190	(153)	(158)
Total net assets	<u>781,702</u>	<u>776,070</u>	<u>54,892</u>	<u>33,492</u>
Total liabilities and net assets	<u>\$ 880,086</u>	<u>\$ 881,655</u>	<u>\$ 55,300</u>	<u>\$ 33,907</u>

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

Connecticut Community Colleges
Statements of Net Assets – Component Units
June 30, 2012 and 2011



	Component Unit Foundations	
	(in thousands)	
	2012	2011
Assets		
Cash and cash equivalents	\$ 8,575	\$ 9,477
Accounts receivable, net	18	63
Contributions receivable, net	3,002	3,807
Grants receivable	252	309
Other receivables	505	505
Prepaid expenses and other assets	10	10
Investments	33,433	34,786
Total assets	<u>\$ 45,795</u>	<u>\$ 48,957</u>
Liabilities		
Accounts payable and accrued expenses	\$ 228	\$ 226
Annuities payable	195	205
Scholarships payable	21	29
Other liabilities	1,951	1,660
Total liabilities	<u>2,395</u>	<u>2,120</u>
Net Assets		
Unrestricted	2,393	2,415
Temporarily restricted	14,720	18,485
Permanently restricted	26,287	25,937
Total net assets	<u>43,400</u>	<u>46,837</u>
Total liabilities and net assets	<u>\$ 45,795</u>	<u>\$ 48,957</u>

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

Connecticut Community Colleges
Statements of Revenues, Expenses and
Changes in Net Assets
Years Ended June 30, 2012 and 2011

Connecticut
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Education That Works For a Lifetime

	Primary Institution (in thousands)		Component Unit Magnet High Schools (in thousands)	
	2012	2011	2012	2011
Operating revenue				
Student tuition and fees	\$ 169,881	\$ 167,526	\$ -	\$ -
Less: Scholarship discounts and allowances	(73,964)	(70,071)	-	-
Net tuition and fees	95,917	97,455	-	-
Federal grants and contracts	90,198	89,045	4,009	4,234
State and local grants and contracts	16,972	17,877	-	190
Private grants and contracts	6,177	4,426	-	-
Sales and services of educational departments	607	538	-	-
Other operating revenues	4,870	4,816	1,351	1,072
Total operating revenues	214,741	214,157	5,360	5,496
Operating expenses				
Instruction	175,543	177,341	3,641	2,919
Public service	872	633	-	-
Academic support	74,002	73,543	535	518
Library	10,052	10,135	71	70
Student services	39,056	40,984	386	901
Scholarship aid, net	42,742	43,994	-	-
Institutional support	65,459	65,660	698	893
Physical plant	48,875	46,915	556	610
Depreciation	21,443	20,780	907	873
Total operating expenses	478,044	479,985	6,794	6,784
Operating (loss) income	(263,303)	(265,828)	(1,434)	(1,288)
Nonoperating revenues (expenses)				
State appropriations - general fund	219,976	244,782	567	561
State appropriations - bond funds	46,728	36,127	22,267	-
Private gifts	2,084	973	-	-
Interest income	163	249	-	-
Mandatory transfer to State	-	(1,000)	-	-
Other non-operating revenues (expenses), net	(16)	16	-	-
Net non-operating revenue	268,935	281,147	22,834	561
Change in net assets	5,632	15,319	21,400	(727)
Net assets at beginning of year	776,070	760,751	33,492	34,219
Net assets at end of year	\$ 781,702	\$ 776,070	\$ 54,892	\$ 33,492

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

Connecticut Community Colleges
Statements of Revenues, Expenses and
Changes in Net Assets – Component Units
Years Ended June 30, 2012 and 2011

Connecticut
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Education That Works For a Lifetime

	Component Unit	
	Foundations	
	(in thousands)	
	2012	2011
Revenue, capital gains and losses and other support		
Gifts and grants	\$ 4,204	\$ 5,515
Gifts in kind	70	5
State matching grant	(116)	-
Events and activities	1,024	746
Dividends and interest income	186	474
Net realized and unrealized gain/(loss) on investments	(71)	2,833
Total revenue, capital gains and losses and other support	<u>5,297</u>	<u>9,573</u>
Expenses		
Fundraising events	466	439
Campus facilities, projects and equipment	-	47
Grants	197	186
Museum	71	77
Program services	1,397	1,036
Scholarships, awards, and financial aid	1,799	1,547
Management and general	787	1,029
College advancement	4,017	1,024
Total expenses	<u>8,734</u>	<u>5,385</u>
Change in net assets	(3,437)	4,188
Net assets		
Net assets at beginning of year	46,837	42,649
Net assets at end of year	<u>\$ 43,400</u>	<u>\$ 46,837</u>

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

Connecticut Community Colleges
Statement of Cash Flows
June 30, 2012 and 2011

Connecticut
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Education That Works For a Lifetime

	Primary Institution	
	(in thousands)	
	2012	2011
Cash flows from operating activities		
Student tuition and fees	\$ 95,404	\$ 96,661
Government grants and contracts	107,539	106,085
Private grants and contracts	5,718	4,600
Sales and services of educational departments	686	518
Payments to employees	(244,645)	(236,202)
Payments for fringe benefits	(106,050)	(106,699)
Payments to students	(45,163)	(46,160)
Payments to vendors	(78,408)	(78,254)
Payments by Department of Construction Services	(348)	(197)
Other receipts (payments)	7,293	8,599
Net cash used in operating activities	<u>(257,974)</u>	<u>(251,049)</u>
Cash flows from investing activities		
Interest income	191	260
Net cash provided by investing activities	<u>191</u>	<u>260</u>
Cash flows from capital and related financing activities		
State appropriations	45,452	14,612
Payments by Department of Construction Services	(83,338)	(74,970)
Purchase of capital assets	(10,090)	(6,708)
Net cash (used in) capital and related financing activities	<u>(47,976)</u>	<u>(67,066)</u>
Cash flows from noncapital financing activities		
State appropriations	226,082	266,643
Private gifts	1,940	842
Federal Family Education Loan program ("FFELP")	10,167	8,784
Mandatory Transfer to State	-	(1,000)
Net cash provided by noncapital financing activities	<u>238,189</u>	<u>275,269</u>
Net change in cash and cash equivalents	(67,570)	(42,586)
Cash and cash equivalents at beginning of year	266,840	309,426
Cash and cash equivalents at end of year	<u>\$ 199,270</u>	<u>\$ 266,840</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (263,303)	\$ (265,828)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	21,443	20,780
Loss (gain) on disposal of capital assets	46	48
Operating Application of FFELP Receipts	(10,167)	(8,784)
Changes in operating assets and liabilities:		
Accounts receivable, net	670	(926)
Prepaid expenses and other assets	38	14
Accrued compensation and other	(11,442)	3,261
Accounts payable	4,736	404
Deferred revenue	5	(18)
Net cash used in operating activities	<u>\$ (257,974)</u>	<u>\$ (251,049)</u>

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

Connecticut Community Colleges
Notes to Financial Statements
June 30, 2012 and 2011

Connecticut
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Education That Works For a Lifetime

1. Organization and Operations

The Connecticut Community Colleges (collectively referred to as “CCC” or the “System”) are a state wide system of twelve regional community colleges, serving more than half of the undergraduates in public higher education in the State of Connecticut (the “State”). The CCC’s offer two-year associate degrees and transfer programs, short-term certificates and individual coursework in both credit and noncredit programs, often through partnerships with business and industry. The System has a combined enrollment of approximately 58,000 credit full-time equivalent students and 30,000 additional noncredit students at its twelve colleges. The financial statements include the CCC System Office (“SO”) and the following regional community colleges: Asnuntuck Community College (“Asnuntuck”), Capital Community College (“Capital”), Gateway Community College (“Gateway”), Housatonic Community College (“Housatonic”), Manchester Community College (“Manchester”), Middlesex Community College (“Middlesex”), Naugatuck Valley Community College (“Naugatuck”), Northwestern Connecticut Community College (“Northwestern”), Norwalk Community College (“Norwalk”), Quinebaug Valley Community College (“Quinebaug”), Three Rivers Community College (“Three Rivers”), and Tunxis Community College (“Tunxis”).

2. Reporting of Component Units

Government Accounting Standards Board (“GASB”) Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (“GASB 39”) requires several legally separate, tax-exempt, affiliated college foundations (collectively referred to as the “Foundations”) to be considered component units of CCC and presented discretely in CCC’s financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the colleges in support of their programs. Although the colleges do not control the timing or amount of receipts from the Foundations, the majority of resources, or income thereon, that the Foundations hold and invest are restricted to the activities of the colleges by the donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of, the colleges, the Foundations are considered component units of the colleges.

The financial information of the college Foundations is discretely presented and identified in the “component unit” column of the various system-wide and college financial statements. Because under Connecticut statutes each Foundation may establish its own accounting (fiscal) year as any twelve month period, not all twelve Foundations have a fiscal year-end which coincides with the CCC June 30 year-end. Some Foundations have fiscal years which end at December 31. GASB 39 allows component unit information to be up to eleven months older than that of the CCC primary institution, therefore the component unit information reflects Foundation statements from each Foundation’s most recent fiscal year, ending either December 31, 2011 or June 30, 2012.

All Foundation statement information is based on separately audited financial statements. Those financial statements are audited by other accounting firms and are presented under standards promulgated by the Financial Accounting Standards Board (“FASB”) rather than GASB. Under pre-existing Connecticut statutory and CCC Board policy requirements, various Foundation information including the audited Foundation financial statements, is reviewed at a high level by the college president and the college chief financial official, and forwarded to the CCC System

Office annually for transmittal to the State Auditors of Public Accounts. CCC management relies upon individual college and Foundation compliance with these requirements, and the independently audited Foundation financial statements, to ensure that information presented in the component unit section of the CCC statements is materially correct.

The Foundations are private non-profit organizations that report under FASB standards, including ASC 958-205 *Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in CCC's financial reporting entity for these differences. However, in some cases line items have been combined to reflect common terminology across all twelve college foundations. In addition, all other footnotes herein relate solely to the primary institution, the CCC's, excluding the component unit foundations.

CCC has responsibility for Great Path Academy ("GPA") and Quinebaug Valley Middle College High School ("QMC"), (together, "magnet high schools") which are inter-district magnet high schools located on the Manchester Community College and Quinebaug Valley Community College campuses, respectively. Magnet high schools are separately reflected in a single column as component units on the face of CCC's statements of net assets. CCC does not consider magnet high schools to be part of the primary institution, because their educational mission is different from CCC and they are separately managed and accounted for.

Affiliated alumni associations, if any, have not been included as component units of the colleges. They are considered immaterial for inclusion.

3. Significant Accounting Policies for Primary Institution

Basis of Presentation

The financial statements for the CCC primary institution have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board ("GASB"). The System reports as a business type activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* ("GASB 35"). Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

CCC follows the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* ("GASB 33"), and GASB 35, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, ("GASB 37") and No. 38, *Certain Financial Statement Note Disclosures* ("GASB 38"). GASB 33 requires that unconditional promises to give be recorded as receivables and revenues when CCC has met all applicable eligibility requirements. This statement also requires that unspent cash advances received for sponsored programs be recorded as deferred revenue rather than as restricted expendable net assets. GASB 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

Connecticut Community Colleges
Notes to Financial Statements
June 30, 2012 and 2011

Connecticut
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Education That Works For a Lifetime

Invested in Capital Assets, Net of Related Debt

Capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding principal balances of debt and other obligations, if applicable, attributable to the acquisition, construction or improvement of those assets. As of June 30, 2012 and 2011, the CCC's do not carry any debt as all bonding is handled by the State.

Restricted – Nonexpendable

Net assets subject to externally-imposed stipulations that are required to be retained in perpetuity, such as permanent endowments.

Restricted – Expendable

Net assets subject to externally-imposed constraints imposed by grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted expendable net assets include capital appropriation balances, funds held in accordance with legally adopted collective bargaining agreements, unexpended balances in non-exchange grants, and institutional capital contribution balances in the Federal National Direct Student Loan and Nursing Loan programs. The balance of expendable net assets restricted by enabling legislation at June 30, 2012 and June 30, 2011 are \$103,366,126 and \$158,429,323 respectively.

Unrestricted

Net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

GASB 35 also requires that the statements of net assets; revenues, expenses, and changes in net assets; and cash flows be reported on a combined basis.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of CCC by the State Treasurer and has original maturities of three months or less (see Note 4). Interest income is recognized on the accrual basis. The largest inflow of cash related to non-capital financing is State appropriations, including general fund appropriations for salaries of \$140,226,605 and \$158,530,882 for fiscal year 2012 and 2011 respectively, and related fringe benefit of \$79,749,389 and \$86,250,594 for fiscal year 2012 and fiscal year 2011 respectively, and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. The Community Colleges do not receive cash from the State in support of the general fund appropriation. The appropriation is treated as a cash equivalent for accounting and reporting purposes, and is included in the cash flow statement. Fringe benefit payments are made by the State Comptroller on behalf of the CCC's, and information regarding the associated fringe benefit expense is provided to the System with each biweekly payroll. This is treated as a cash equivalent on the statement of cash flows.

Connecticut Community Colleges
Notes to Financial Statements
June 30, 2012 and 2011

Connecticut
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Education That Works For a Lifetime

Capital Assets

Capital assets are stated at historical cost or, in the case of donated property, at the fair value at the date of gift. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life. Useful lives assigned to assets are identified in the following table:

Asset Class Description	Useful Life
Land	Not applicable
Land/site improvements	20-40 years
Buildings and building Improvements	3-40 years
Lease related	Life of lease
Library books	10 years
Furniture and equipment	3-15 years
Vehicles	4 years
Artwork non-collection	10 years
Fine arts & historical treasures	Not applicable
Software	5 years
Other personal property	10 years

CCC does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes. Title to all assets, whether purchased, constructed or donated, is held by the State of Connecticut.

With the introduction of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51") in 2011 all identifiable intangible assets, not specifically excluded, are included as intangible assets in the CCC statement, in accordance with CCC policy regarding capitalization.

Accrued Compensated Absences

Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statement of net assets reflects the accrual for the amounts earned as of year-end.

Deferred Revenue

Deferred revenue consists primarily of cash received under government grants and contracts which has not yet been earned as of year-end.

Unapplied Payments

Unapplied payments consist primarily of tuition and fees collected as of year-end, for the upcoming summer or fall semesters. Direct charges related to these semesters are reported in the period the tuition and fees are recognized as income.

Connecticut Community Colleges
Notes to Financial Statements
June 30, 2012 and 2011

Connecticut
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Education That Works For a Lifetime

Operating Activities

CCC policy for defining operating activities as reported on the statement of revenue, expenses and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of CCC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB 35, including state appropriations, gifts and investment income.

Student Tuition and Fee Revenue

Student tuition and fee revenue is presented net of scholarship aid applied to student accounts, while other financial aid refunded directly to students is presented as scholarship aid expenses, as required by GASB 35. Student tuition, college services fees, student activity fees, extension credit and non-credit program fees, and other miscellaneous student fees, recorded as gross tuition and fee revenues, represent the largest portion of operating revenue, but are offset by student financial aid grants from federal, state, local and private sources as well as by institutional aid in the form of tuition remission and statutory and other tuition and fee waivers, used to pay off student tuition and fee charges, resulting in net tuition and fee revenue after scholarship allowances. The revenue for a summer session is split between the two fiscal years, with appropriate amounts being recognized in the accounting period in which they are earned or incurred and become measurable.

Private Gifts and Contributions

CCC receives gifts of financial support from private corporations, foundations and individuals. In such cases, revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Contributions of assets other than cash are recorded at their estimated fair value.

Income Taxes

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include the collectability of accounts and loans receivable and the useful lives of property and equipment.

Subsequent Events

In accordance with generally accepted accounting principles, CCC evaluates subsequent events that occur after the balance sheet and through December 17, 2012. No subsequent events occurred for which any special reporting was warranted.

Connecticut Community Colleges
Notes to Financial Statements
June 30, 2012 and 2011

Connecticut
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Education That Works For a Lifetime

4. Cash and Cash Equivalents

Cash and cash equivalents consists of the following at June 30, 2012 and 2011 (in thousands):

	2012	2011
Cash	\$ 93,260	\$108,954
Cash equivalents	106,010	157,886
Cash and cash equivalents total	<u>\$199,270</u>	<u>\$266,840</u>

Cash is invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. All temporary surplus cash is invested in the STIF. CCC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CCC daily cash flow requirements.

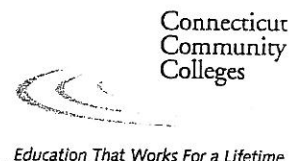
The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed 5.0% of the STIF's net assets at the time of execution.

CCC has assessed the Credit Risk, Custodial Credit Risk, the Concentration of Credit Risk, and the Interest Rate Risk of its Cash and Cash Equivalents as follows:

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CCC is only invested in the State of Connecticut Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. There is essentially no risk to these types of investments.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. 100% of CCC's total cash and cash equivalents are invested in the STIF or consist of State general fund and capital bond fund appropriations allocated to the CCC which are backed by cash held by the State as of June 30, 2012.

Connecticut Community Colleges
Notes to Financial Statements
June 30, 2012 and 2011



5. Accounts Receivable

Accounts receivable consist of the following at June 30, 2012 and 2011 (in thousands):

	2012	2011
Tuition	\$ 2,091	\$ 1,847
College services fees	231	201
Student activity fees	13	11
Extension fees	788	578
Payment plans and returned checks	1,713	1,681
Other student fees	<u>165</u>	<u>153</u>
Subtotal	5,001	4,471
Less: Allowance for doubtful accounts	<u>(1,858)</u>	<u>(1,504)</u>
Subtotal student tuition and fee receivables, net	<u>3,143</u>	<u>2,967</u>
Third party contracts	479	378
Government grants and contacts	2,260	3,037
STIF	31	58
Other receivables	<u>1,261</u>	<u>1,345</u>
Subtotal	4,031	4,818
Less: Allowance for doubtful accounts	<u>(479)</u>	<u>(395)</u>
Subtotal other receivables, net	<u>3,552</u>	<u>4,423</u>
Total accounts receivable, net	<u>\$ 6,695</u>	<u>\$ 7,390</u>

Student tuition and fees are due at a date established by each college not earlier than six weeks nor later than three weeks before the first day of classes unless other payment arrangements have been made. Any account not fully paid after the second week of class (end of add/drop) is entered into collections. Any unpaid account at June 30th that relates to a term from a previous fiscal year is considered doubtful and an allowance is established.

Connecticut Community Colleges
Notes to Financial Statements
June 30, 2012 and 2011

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Education That Works For a Lifetime

6. Student Loans

Student loans consist of the following at June 30, 2012 and 2011 (in thousands):

	2012	2011
Student loans receivable	\$ 527	\$ 587
Less: Allowance for doubtful loans	(26)	(83)
	<u>\$ 501</u>	<u>\$ 504</u>

The outstanding loans were granted as part of the Federal National Direct Student Loan and Nursing Loan programs. The allowance is equal to the total outstanding loans at year-end multiplied by the current year COHORT default rate. The COHORT default rate for each college is calculated individually for borrowers who entered repayment during fiscal years 2009, 2010 and 2011 as follows: (Total number of such borrowers with loans in default at fiscal year-end 2010, 2011 and 2012, i.e. a year later, respectively) *divided by* (Total number of such borrowers who entered repayment during fiscal years 2009, 2010 and 2011, respectively).

7. Capital Assets

Capital assets consist of the following at June 30, 2012 and 2011 (in thousands):

	Balance at June 30, 2011	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2012
Land and land/site improvements	\$ 22,737	\$ -	\$ -	\$ -	\$ 22,737
Infrastructure	516	-	-	-	516
Building and building improvements	562,066	1,905	-	28,154	592,125
Furnishings and equipment	62,020	9,437	(4,891)	-	66,566
Library books	8,969	504	(915)	-	8,558
Software	439	-	-	-	439
	<u>656,747</u>	<u>11,846</u>	<u>(5,806)</u>	<u>28,154</u>	<u>690,941</u>
Less: Accumulated depreciation	<u>(206,798)</u>	<u>(21,443)</u>	<u>5,493</u>	<u>-</u>	<u>(222,748)</u>
	<u>449,949</u>	<u>(9,597)</u>	<u>(313)</u>	<u>28,154</u>	<u>468,193</u>
Construction-in-progress	<u>128,482</u>	<u>81,477</u>	<u>-</u>	<u>(28,154)</u>	<u>181,805</u>
Capital assets, net	<u>\$ 578,431</u>	<u>\$ 71,880</u>	<u>\$ (313)</u>	<u>\$ -</u>	<u>\$ 649,998</u>

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	Balance at June 30, 2010	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2011
Land and land/site improvements	\$ 22,737	\$ -	\$ -	\$ -	\$ 22,737
Infrastructure	516	-	-	-	516
Building and building improvements	561,598	468	-	-	562,066
Furnishings and equipment	59,354	5,543	(2,998)	121	62,020
Library books	9,045	831	(907)	-	8,969
Software	439	-	-	-	439
	<u>653,689</u>	<u>6,842</u>	<u>(3,905)</u>	<u>121</u>	<u>656,747</u>
Less: Accumulated depreciation	<u>(189,718)</u>	<u>(20,780)</u>	<u>3,700</u>	<u>-</u>	<u>(206,798)</u>
	463,971	(13,938)	(205)	121	449,949
Construction-in-progress	<u>51,870</u>	<u>76,749</u>	<u>(16)</u>	<u>(121)</u>	<u>128,482</u>
Capital assets, net	<u>\$ 515,841</u>	<u>\$ 62,811</u>	<u>\$ (221)</u>	<u>\$ -</u>	<u>\$ 578,431</u>

Depreciation expense was \$21,442,949 and \$20,780,048 for the years ended June 30, 2012 and 2011, respectively.

8. Accrued Compensated Absences

Accrued compensated absences consist of the following at June 30, 2012 and 2011 (in thousands):

	2012	2011
Accrued vacation	\$ 16,579	\$ 17,243
Accrued sick leave	16,762	17,220
Other accrued fringe benefits	<u>6,818</u>	<u>7,233</u>
Total accrued compensated absences	40,159	41,696
Less: current portion	<u>(3,408)</u>	<u>(1,812)</u>
Accrued compensated absences - non-current portion	<u>\$ 36,751</u>	<u>\$ 39,884</u>

These accruals represent amounts earned by all eligible employees through the end of the fiscal year. These accrued compensated absences ("ACA") will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of ACA, is normally estimated to be approximately 5.0% of the total liability and is reflected as a current liability. For June 30, 2012, delayed payouts for a small number of early retirees have temporarily increased the overall current liability from 5.0% to 8.5%.

9. Pollution Remediation Obligations

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49") requires the CCCs to determine if any known pollution remediation obligations exist based on certain "obligating events". A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. If any obligations exist the CCCs must estimate expected outlays for the remediation on an expected cash flows basis.

At June 30, 2012 and June 30, 2011, no pollution remediation obligations existed.

10. Bonds Payable

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

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

11. Retirement and Other Post Employment Benefits

Retirement

Plan Description

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

Employees hired before July 1, 1984 participate in the old Tier 1 Plan, which includes employee contributions; other employees may participate in the Tier II Plan, which is noncontributory and provides substantially lower benefits. CCC makes contributions on behalf of the employees through a fringe benefit charge assessed by the State of Connecticut.

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

The State pays for the retirement plan costs of General Fund employees and recovers the cost of Operating Fund employees from the CCC through a fringe benefit cost recovery rate.

Funding Policy

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

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

Annual Pension Cost, Net Pension Obligation and Related Information

Because of the cost-sharing arrangements CCC has with other State departments and agencies, one actuarial valuation is performed for the State of Connecticut and is not separately available for CCC. CCC is not liable for the liability associated with the pension obligation.

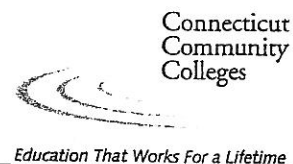
Other Post Employment Benefits

The State sponsors two defined benefit OPEB plans; the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). SEOPEBP is administered by the State Comptroller (Retirement and Benefits Division), and RTHP is administered by the Teacher's Retirement Board. Both are single-employer defined benefit OPEB plans. SEOPEBP covers retired employees of the State of Connecticut who are receiving benefits from any State-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees' Retirement System. RTHP covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. Both plans provide healthcare and life insurance benefits to eligible retirees and their spouses.

The State of Connecticut is statutorily responsible for post employment benefits provided to employees who participate in both. The SEOPEBP plan benefits are financed approximately 100% by the State of Connecticut on a pay-as-you-go basis through an annual appropriation in the General fund. RTHP is similarly financed on a pay-as-you-go basis, with a third from the State's General fund, a third from active teachers, and a third from retirees. Administrative costs of both plans are financed by the State of Connecticut.

During fiscal year 2009, CCC adopted GASB No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions ("GASB 45"). This accounting pronouncement potentially requires the College to record a liability for post retirement benefit obligations other than pensions. As of June 30, 2011, CCC has not accrued a liability as the State of Connecticut is legally responsible for the liability in accordance with GASB 45.

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In addition, the State of Connecticut has communicated to CCC that it should not record a liability associated with the plans for its employees or retired employees.

12. Unrestricted Net Assets

Substantially all unrestricted net assets are internally designated for unliquidated encumbrances, contingency reserves, academic, program and other initiatives, and capital programs. Unrestricted net assets were \$28,318,301 and \$39,189,564 at June 30, 2012 and 2011, respectively. Of these amounts, \$4,096,918 and \$4,905,025 respectively, represented CCC's unliquidated encumbrances (obligations in the form of purchase orders or contracts which are to be partially met from an appropriation and for which the other portion is designated from the unrestricted net assets above).

13. Operating Leases

CCC is party to one non-cancelable operating lease contract. Future minimum lease payments, all due over the next four fiscal years under all existing operating lease contracts (cancellable and non-cancellable), are approximately as follows:

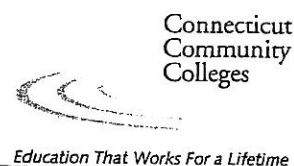
2013	1,239,291
2014	1,160,197
2015	1,153,825
2016	1,153,825
2017	1,055,983
2018 to 2032	958,142 per year

The commitments above include a lease agreement entered into on July 1, 2012 by Gateway Community College with the City of New Haven for parking in the Temple Street Parking Garage for approximately \$958,142 a year for 20 years. Rental and lease expense was \$4,043,888 and \$3,927,888 for the years ending June 30, 2012 and 2011, respectively.

14. Commitments and Contingencies

CCC is subject to other legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, changes in net assets or cash flows of CCC.

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15. Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2012 and 2011 are summarized as follows (in thousands):

	Year Ended June 30, 2012					<u>Total</u>
	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Supplies and Services</u>	<u>Scholarship Aid</u>	<u>Depreciation</u>	
Instruction	\$ 121,088	\$ 47,321	\$ 7,134	\$ -	\$ -	\$ 175,543
Public service	534	81	257	-	-	872
Academic support-other	40,907	18,935	14,160	-	-	74,002
Academic support-library	5,986	2,532	1,534	-	-	10,052
Student services	24,239	11,858	2,959	-	-	39,056
Scholarship aid	-	-	-	42,742	-	42,742
Institutional support	34,517	15,638	15,304	-	-	65,459
Physical plant	11,375	7,782	29,718	-	-	48,875
Depreciation	-	-	-	-	21,443	21,443
Total operating expenses	<u>\$ 238,646</u>	<u>\$ 104,147</u>	<u>\$ 71,066</u>	<u>\$ 42,742</u>	<u>\$ 21,443</u>	<u>\$ 478,044</u>

	Year Ended June 30, 2011					<u>Total</u>
	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Supplies and Services</u>	<u>Scholarship Aid</u>	<u>Depreciation</u>	
Instruction	\$ 123,292	\$ 48,479	\$ 5,570	\$ -	\$ -	\$ 177,341
Public service	447	68	118	-	-	633
Academic support-other	41,791	19,107	12,645	-	-	73,543
Academic support-library	6,193	2,659	1,283	-	-	10,135
Student services	25,163	12,395	3,426	-	-	40,984
Scholarship aid	-	-	-	43,994	-	43,994
Institutional support	34,904	16,300	14,456	-	-	65,660
Physical plant	11,503	7,788	27,624	-	-	46,915
Depreciation	-	-	-	-	20,780	20,780
Total operating expenses	<u>\$ 243,293</u>	<u>\$ 106,796</u>	<u>\$ 65,122</u>	<u>\$ 43,994</u>	<u>\$ 20,780</u>	<u>\$ 479,985</u>