CSCU Connecticut State Colleges & Universities

# MEETING OF THE AUDIT COMMITTEE

Board of Regents for Higher Education
Board Room – Ground Floor
61 Woodland Street, Hartford, Connecticut

Tuesday, January 14, 2020 at 10:00 am

AGENDA

1. Approval of the Minutes of October 15, 2019
2. Update on Audits of the Auditors of Public Accounts
3. 2020 Audit Report by CohnReznick (Kurth, Partner)
4. Year End Audit and Discussion
    a. Report by Management (Barnes/Cruanes/Moriarty)
    b. Report by Grant Thornton (C. Esten, Partner)
        i. Required Communications – CSUS and COSC
    c. Review of Financial Statements
        i. Charter Oak State College June 30, 2019 Financial Statements
        ii. Connecticut State Universities June 30, 2019 Financial Statements (unaudited)
        iii. Connecticut Community Colleges June 30, 2019 Financial Statements (draft, unaudited)
5. Management Report of Audited Foundation Financial Statements (all institutions) (M. Cruanes)
6. Executive Session (if required)
7. Adjournment

**Meeting of the**
**Audit Committee**
Connecticut State Colleges and Universities
61 Woodland Street
Hartford, CT
Tuesday, October 15, 2019 @10:00

# MINUTES

**Regents Present**
Elease Wright, Chair **–** (via telephone)
Aviva Budd **–** (via telephone)
JoAnn Ryan **–** (via telephone)

**BOR Staff Present**
Ben Barnes, Chief Financial Officer
Melinda Cruanes, Controller
Michael Moriarty, CFO Charter Oak College

**Guests**
Claire Esten, Brian Hopkins, Corey Stadelbauer, and Hassan Khan (phone) – Grant Thornton

*With a quorum present, Chair Wright called the meeting to order at 10:10 a.m.*

**Approval of the Minutes of June 11, 2019**

*Motioned by Regent Ryan, seconded by Regent Budd, the minutes of the June 11, 2019 meeting were approved as submitted.*

**Introductions**

CFO Barnes announced that Shannon Walsh, Assistant Counsel in the CSCU Office of Legal Affairs, will assume the duties of providing operational and financial compliance support for the Finance Department. Melinda Cruanes was introduced as the new Controller in the CSCU office.

**APA Audit Reports Update**

CFO Barnes provided an update on the audit reports for the colleges and universities conducted by the Auditors of Public Accounts (APA) office. A draft report was prepared for Charter Oak in May 2018 and a final report was received.

**Interim Report by Grant Thornton**

Claire Esten, Partner, Grant Thornton and managers of the firm provided a status update on the Colleges, Universities and System Office audits. Central, Eastern and Southern year-end audit fieldwork is complete and is on track in all audit areas with no audit adjustments identified to date. The auditors are in the middle of the audit fieldwork at Western and are scheduled to begin their audit fieldwork on October 15 for the System Office and the Community Colleges. The audit fieldwork began at Charter Oak on October 7.

Continue to work with Great Path Academy through the City of Hartford to mend the contract for the coming year.

CFO Barnes announced that the 2020 new audit firm will be presented to the committee at the December meeting.

*With no other business to discuss, the meeting adjourned at 10:37 a.m. on motion of Regent Wright, seconded by Regent Budd.*

**Connecticut State Colleges and Universities System**

**Schedule of CSCU 2020 Construction Expenditures-**
**Cash Basis**
**and Independent Auditor's Report**

**June 30, 2019**

**Connecticut State Colleges and Universities System**
**CSCU 2020 Construction Expenditures-Cash Basis**
**June 30, 2019**

Index

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Independent Auditor's Report

To the Board of Regents and Audit Committee
Connecticut State Colleges and Universities System
Hartford, Connecticut

We have audited the expenditures paid during the year ended June 30, 2019 as reported in the Schedule of CSCU 2020 Construction Expenditures - Cash Basis (the "Schedule") of the Connecticut State Colleges and Universities System (the "CSCU System"), and the related notes to the Schedules.

*Management's Responsibility for the Schedules*

Management is responsible for the preparation and fair presentation of this Schedule in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the accompanying Schedule referred to above presents fairly, in all material respects, the construction expenditures related to CSCU 2020 construction projects of the CSCU System specifically identified by management that were paid during the year ended June 30, 2019 in conformity with the cash basis of accounting.

*Emphasis of Matter*

We have not audited the expenditures paid during the period from July 1, 2008 through June 30, 2018, and, accordingly, we express no opinion or other assurance with respect to these amounts. Annual expenditures for prior years through June 30, 2018 were previously audited by other auditors dated October 16, 2018 with an unmodified opinion. Our opinion on cash paid for construction expenditures for the year ended June 30, 2019 is not modified with respect to this item.

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of American. Our opinion is not modified with respect to that matter.

*Restriction on Use*

Our report is intended solely for the information and use of the Board of Regents, the Audit Committee, and management of the Connecticut State Colleges and Universities System, and is not intended to be and should not be used by anyone other than these specified parties.

Hartford, Connecticut
November XX, 2019

# Connecticut State Colleges and Universities System
## Schedule of CSCU 2020 Construction Expenditures - Cash Basis

### June 30, 2019



| | Approved budget as of June 30, 2019 | Expenditures paid in the year ended June 30, 2019 | Recommended adjustments | Adjusted expenditures paid in the year ended June 30, 2019 | Expenditures paid during theperiod from July 1, 2008 through June 30, 2018 | Total adjusted expenditures through June 30, 2019 |
|---|---|---|---|---|---|---|
| **Eastern Connecticut State University** | | | | | | |
| Fine Arts Instructional Center (design and construction) | $ 86,097,885 | $ 215,421 | $ - | $ 215,421 | $ 80,842,310 | $ 81,057,731 |
| Goddard Hall Renovations | 32,917,997 | 12,932,876 | - | 12,932,876 | 13,741,187 | 26,674,063 |
| Code Compliance/Infrastructure | 14,073,863 | 2,376,426 | - | 2,376,426 | 15,914,698 | 18,291,124 |
| Athletic Support Building | 1,921,000 | - | - | - | 1,918,873 | 1,918,873 |
| Outdoor Track - Phase II | 1,816,000 | - | - | - | 1,637,648 | 1,637,648 |
| New Warehouse | 2,269,000 | - | - | - | 1,860,007 | 1,860,007 |
| **Western Connecticut State University** | | | | | | |
| Fine Arts Instructional Center | 84,321,000 | 270,454 | - | 270,454 | 83,178,467 | 83,448,921 |
| Higgins Hall Renovations | 34,544,406 | 20,422,712 | - | 20,422,712 | 2,199,128 | 22,621,840 |
| Code Compliance/Infrastructure | 17,631,612 | 2,540,780 | - | 2,540,780 | 14,160,124 | 16,700,904 |
| University Police Department Building | 6,445,000 | 8,589 | - | 8,589 | 5,917,041 | 5,925,630 |
| **Central Connecticut State University** | | | | | | |
| Willard & DiLoreto Hall | 61,016,846 | 24,742,360 | - | 24,742,360 | 33,740,430 | 58,482,790 |
| Kaiser Hall Bubble Renovations | 25,367,125 | 11,720,350 | - | 11,720,350 | 4,395,711 | 16,116,061 |
| Barnard Hall Additions and Renovations | 21,981,680 | 620,572 | - | 620,572 | 1,364,061 | 1,984,633 |
| New Engineering Building | 9,900,000 | 405,649 | - | 405,649 | 3,313,863 | 3,719,512 |
| Code Compliance/Infrastructure Improvements | 24,650,041 | 2,140,585 | - | 2,140,585 | 25,771,596 | 27,912,181 |
| New Classroom Office Building | 29,478,000 | - | - | - | 29,109,582 | 29,109,582 |
| New Maintenance/Salt Shed Facility | 2,503,000 | - | - | - | 2,233,317 | 2,233,317 |
| Burritt Library Design & Expansion/Renovation | 14,285,700 | - | - | - | - | - |
| **Southern Connecticut State University** | | | | | | |
| New Academic Building | 72,108,159 | 238,945 | - | 238,945 | 69,283,846 | 69,522,791 |
| Health and Human Services Building | 70,144,056 | 2,452,633 | - | 2,452,633 | 1,173,084 | 3,625,717 |
| School of Business | 3,766,237 | 347,664 | - | 347,664 | - | 347,664 |
| Code Compliance/Infrastructure Improvements | 25,884,701 | 1,033,199 | - | 1,033,199 | 28,765,832 | 29,799,031 |
| Buley Library | 17,436,817 | - | - | - | 17,436,816 | 17,436,816 |
| **Asnuntuck Community College** | | | | | | |
| New Manufacturing Center | 25,476,500 | 1,369,608 | - | 1,369,608 | 20,809,260 | 22,178,868 |
| **Various Community Colleges** | | | | | | |
| Code Compliance/Infrastructure Improvement | 48,557,000 | 3,721,636 | - | 3,721,636 | 19,369,023 | 23,090,659 |
| **Connecticut State University Systems Office** | | | | | | |
| System-wide Telecom Infrastructure Upgrades | 18,410,000 | 1,096,411 | - | 1,096,411 | 16,289,396 | 17,385,807 |
| Consolidation Updated | 20,000,000 | 8,437 | - | 8,437 | 17,555,587 | 17,564,024 |
| CSUS/CCC Master Plan | 3,000,000 | 7,728 | - | 7,728 | 3,217,583 | 3,225,311 |
| System-Wide New & Replacement Equipment Program | 103,203,106 | 5,424,511 | - | 5,424,511 | 84,675,622 | 90,100,133 |
| Land and Property | 10,246,190 | - | - | - | 3,755,088 | 3,755,088 |
| Professional Fees | 400,907 | - | - | - | 226,890 | 226,890 |
| CSUS Auxiliary Funded Alterations/Improvements | 53,646,172 | 1,606,719 | - | 1,606,719 | 28,195,348 | 29,802,067 |
| | $ 943,500,000 | $ 95,704,265 | $ - | $ 95,704,265 | $ 632,051,418 | $ 727,755,683 |

The accompanying notes are an integral part of this Schedule

## Connecticut State Colleges and Universities System

## Notes to the Schedule of CSCU 2020 Construction Expenditures - Cash Basis
## June 30, 2019

### Note 1 - Presentation

#### Presentation

The Connecticut State Colleges and Universities System (the "CSCU System") is a comprehensive institution of higher education and is a major enterprise fund of the State of Connecticut. The Connecticut State University System Infrastructure Act authorized the issuance of up to $950,000,000 in general obligation bonds over a ten-year period beginning in the year ended June 30, 2009. Effective July 1, 2014, The Connecticut State University Infrastructure Act (CSUS 2020) was repealed and renamed as The Board of Regents for Higher Education Infrastructure Act (CSCU 2020). The act was amended to include the regional community-technical colleges and Charter Oak State College and authorized additional issuance of general obligation bonds in the amount of $80,000,000 during the year ended June 30, 2015 and $23,500,000 during the year ended June 30, 2016. The proceeds from the bonds fund capital improvements for all four universities (Eastern Connecticut State University, Central Connecticut State University, Western Connecticut State University and Southern Connecticut State University), regional community-technical colleges and Charter Oak State College along with improvements made to the Central Office of the System.

The Schedule has been prepared by System management to comply with Connecticut General Statutes Section 10a-91h requiring independent auditors to annually conduct an audit of any project of CSCU 2020 as defined in subdivision (4) of Section 10a-91c. The purpose of the legislation is to provide assurance that invoices, expenditures, cost allocations and other appropriate documentation reconcile to project costs and are in conformance with project budgets, cost allocations agreements and applicable contracts. The audit is required to be submitted to the Governor and the General Assembly in accordance with Section 11-4a.

The CSCU System has prepared the Schedule of CSCU 2020 Construction Expenditures (the "Schedule") on the cash basis of accounting rather than under the accrual basis method in accordance with accounting principles generally accepted in the United States of America. As such, expenditures are recognized when cash is disbursed rather than when the related obligation is incurred.



The Schedule does not include expenditures paid for or incurred by the Department of Public Safety ("DPS"). DPS directly pays for the costs associated with Building Code and Fire Code inspections of threshold buildings. Threshold buildings are defined by Connecticut State Statute §29-276b as, "(1) having four stories, (2) sixty feet in height, (3) with a clear span of one hundred fifty feet in width, (4) containing one hundred fifty thousand square feet of total gross floor area, or (5) with an occupancy of one thousand persons." The CSCU System provides funding through its operating funds for the necessary costs of the DPS for the inspection of nonthreshold buildings that are part of CSCU 2020. Because these expenditures paid by DPS are not paid with CSCU 2020 bond funds, the expenditures are not included in the Schedule.

### Note 2 - Summary of significant accounting policies

#### Use of estimates

Management uses estimates and assumptions in preparing the Schedule in accordance with the cash basis of accounting. Those estimates and assumptions affect the reported amounts of project costs and disclosure of contingent project costs. Actual results could vary from the estimates used.

**Connecticut State Colleges and Universities System**

**Notes to the Schedule of CSCU 2020 Construction Expenditures - Cash Basis**
**June 30, 2019**

**Approved budget**
The approved budget amounts are the revised budgeted amounts for the entire contract approved by the Department of Construction Services ("DCS") on CSCU 2020 projects. The breakdown by category is provided by CSCU System management and approved by the DCS.

**Expenditures paid in the year ended June 30, 2019**
Expenditures paid in the year ended June 30, 2019 represent expenditures that were paid on CSCU 2020 projects during the fiscal year ended June 30, 2019.

**Recommended adjustments**
Recommended adjustments represent the net value of costs reviewed that either lacked sufficient supporting documentation or represented errors.

**Adjusted expenditures paid in the year ended June 30, 2019**
Adjusted expenditures paid in the year ended June 30, 2019 include expenditures that were paid on CSCU 2020 projects during the fiscal year ended June 30, 2019 plus (or minus) the recommended adjustments.

**Expenditures paid during the period from July 1, 2008 through June 30, 2018**
Expenditures paid during the period from July 1, 2008 through June 30, 2018 represent expenditures that were paid on CSCU 2020 projects from inception of the projects through June 30, 2018.

**Total adjusted expenditures through June 30, 2019**
Total adjusted expenditures through June 30, 2019 represent expenditures that were paid on CSCU 2020 projects from the inception of the project through June 30, 2019.

**Subsequent events**
In preparing the Schedule, management has evaluated subsequent events through November XX, 2019, which represents the date the Schedule was available to be issued.

## Note 3 - Construction expenditures

Construction expenditures include all general contractor and subcontractor costs, and certain indirect costs related to project performance that can be attributed to specific projects. Indirect costs not specifically allocable to contracts and general and administrative costs are not included in construction expenditures.

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# Required Communication to the Audit Committee of the Board of Regents of the Connecticut State Colleges and Universities in connection with the audits of fiscal year ended June 30, 2019

**January 14, 2020**

# Open items as of January 10, 2020

- CSUS & COSC
  - Attorney General legal confirmation (scheduled for delivery 1/14)
  - Management representation letter

- CSUS only
  - Review of consolidation is in process
  - Tie out and review of draft of financial statements is in process
  - Final reviews of system office testing by concurring partner

- COSC only
  - Journal Entry testing in process

Upon finalization of these items, GT will perform updated inquiries with management prior to issuance of our reports. When we complete the remaining open items, any matters that are required to be communicated to the Audit Committee will be included in an addendum to this document within 45 days of issuance of our reports.

The audit of CCC remains in process and the required communications to be provided to the Audit Committee on January 14, 2020 is meant to address only the Universities and Charter Oak State College. Grant Thornton will provide an update of the audit status of CCC to the Audit Committee on January 14, and will discuss timing of completion of the open audit items and ultimately the issuance of our report, as well as related communication of required items in connection with the audit of CCC.

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# Significant risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments. The audit was executed in accordance with the plan presented to the audit committee in June 2019, except as it relates to the timeline for completion.

| Areas of focus | Results |
|---|---|
| Tuition and Fee Revenue and related receivables/deferred revenues* | • Performed detailed transaction testing over tuition revenue (including tuition fees/room & board)<br>• Tested a selection of student receivable balances<br>• Reviewed management's allowance for doubtful accounts<br><br>No exceptions noted |
| Grant revenue and accounts receivable | • Tested a selection of grant receivable and grant deferred revenue balances<br>• Performed detailed transaction testing over grant revenue<br><br>No exceptions noted |
| Net Pension Liability (and related deferred inflows/outflows and pension expense)<br>And<br>OPEB liability (and related deferred inflows/outflows and expense) | • Reviewed management's methodology and journal entries to record pension/OPEB liability and related accounting<br>• Reviewed the reports issued by the Auditors of Public Accounts<br><br>No exceptions noted |

*- denotes a significant risk

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# Significant risks and other areas of focus, continued

| Areas of focus | Results |
|---|---|
| State and Capital Appropriations | • Reconciled amounts to the GL, including confirmation of certain amounts with the State<br><br>No exceptions noted |
| Capital Assets | • Tested a roll forward of capital asset balances and recalculated depreciation expense<br><br>No exceptions noted |
| Auxiliary revenues | • Performed detailed transaction testing over tuition revenue (including tuition fees/room & board)<br>• Tested a selection of student receivablebalances<br>• Reviewed management's allowance for doubtfulaccounts<br><br>No exceptions noted |
| Debt | • Confirmed amounts outstanding<br>• Tested cash activity to source documentation<br>• Tested interest expense for reasonableness<br><br>No exceptions noted |

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# Use of the Work of Others

## Other Auditors

**Foundations:** GT noted that each of the Foundations at the Universities and Charter Oak have a separate auditor. In our auditor's report on each entity's financial statements, we make reference to the audits performed by the other unaffiliated auditors.

**Net Pension and OPEB Liabilities:** The State of Connecticut engages the State Auditor of Connecticut to perform the audit of the valuation prepared by independent actuaries as part of recording the Net Pension and OPEB Liabilities, related deferred inflows/outflows and pension/OPEB expense. We assess the qualifications of the state auditor in connection with our audits of the Universities and Charter Oak.

## Specialists

IT – The audit team includes IT specialists who performed design effectiveness testing of Banner at Western, Banner at System office (including CCC), as well as Jenzabar at Charter Oak. Results of that portion of the audit were communicated at the September meeting of the audit committee.

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# Summary of Adjustments

## Corrected Adjustments

There were no adjustments identified by the audit team that were recorded by management in the financial statements.

## Uncorrected Adjustments

There were no unrecorded adjustments identified during the audit.

## Disclosure adjustments

There were no adjustments to disclosure identified during the audit that were made by the System.

## Omitted disclosures

There were no omitted or incomplete disclosures identified during the audit that were not made by the System.

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# Other Required Communications

Professional standards require that we communicate the following matters to you, as applicable.

| |
|---|
| Going concern matters |
| Fraud and noncompliance with laws and regulations |
| Significant deficiencies and material weaknesses in internal control over financial reporting |
| Use of other auditors<br>• Refer to page 4 |
| Use of internal audit |
| Related parties and related party transactions<br>• No transactions outside the ordinary course of business were identified |

# Other Required Communications
## (continued)

| |
|---|
| Disagreements with management |
| Management's consultations with other accountants |
| Significant issues discussed with management<br>• None noted |
| Significant difficulties encountered during the audit<br>• There was a significant delay to the original timeline presented to the audit committee.  The delay was primarily a result of turnover in the System Office and changes to the chart of accounts at the university (campus) level, creating delays to be able to prepare consolidating schedules for the CSU System financial statements. |

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# Other Required Communications
## (continued)

| |
|---|
| Other significant findings or issues that are relevant to you and your oversight responsibilities |
| Modifications to the auditor's report |
| Other information in documents containing audited financial statements<br>• Our review of the University's annual report (MD&A), which contains the audited financial statements, is in process |

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# Quality of Accounting Practices

## Accounting policies

There were no significant changes in the accounting policies during the period.

## Significant accounting estimates

- Net pension and OPEB liability and related deferred inflows/outflows
- Liability for compensated absences
- Useful lives of depreciable assets
- Allocation of expenses among functional expense classifications

# Internal Controls Matters

## Responsibility

We are responsible for obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. Control deficiencies that are of a lesser magnitude than a significant deficiency will be communicated to management.

## Definitions

- A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, misstatements on a timely basis.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.
- A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

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This communication is intended solely for the information and use of management and those charged with governance of Connecticut State Universities and Colleges and is not intended to be and should not be used by anyone other than these specified parties.



CSCU **Charter Oak State College**

# 2019 Financial Statements

*including*

Required Supplementary Information
Additional Supplemental Information

**June 30, 2019**

# Charter Oak State College Mission Statement

As part of the Connecticut State Colleges & Universities ("CSCU") system, Charter Oak State College, the state's only public, online, degree-granting institution, provides affordable, diverse and alternative opportunities for adults to earn undergraduate and graduate degrees and certificates. The College's mission is to validate learning acquired through traditional and non-traditional experiences, including its own courses. The college rigorously upholds standards of high quality and seeks to inspire adults with the self-enrichment potential of non-traditional higher education.

## Members of the Board of Regents for Higher Education

## (Between 7/1/18 – 6/30/19)

- Thirteen members:  nine appointed by the Governor; four appointed by legislative leaders
- Two students chosen by their peers (Chair and Vice Chair of Student Advisory Committee)
- Six non-voting, ex-officio members:
  - Four CT commissioners appointed by the Governor from the Departments of Public Health, Education, Economic and Community Development, and Labor
  - Chair and Vice Chair of the Faculty Advisory Committee

### Regents as of 6/30/19

*(Three vacancies: one student regent; two legislative appointees)*

Matt Fleury, Chairman
Merle W. Harris, Vice Chair
Richard J. Balducci
Aviva D. Budd
Naomi K. Cohen
Felice Gray-Kemp
Holly Howery
David R. Jimenez
Pete Rosa (appointed September 2018)
JoAnn Ryan
Elease E. Wright
Elena Ruiz, Vice Chair of Student Advisory Committee

**Ex-Officio, Non-voting members**
Del Cummings – Chair of the Faculty Advisory Committee (term as Chair began 1/1/19; previously Vice Chair)
William Lugo – Vice Chair of the Faculty Advisory Committee (term as Vice Chair began 1/1/19; previously Chair)
Kurt Westby – Commissioner of the CT Department of Labor
Dianna R. Wentzell – Commissioner of the State Board of Education
David Lehman – Commissioner of Department of Economic and Community Development (joined March 2019)
Commisioner Renee D. Coleman-Mitchell – Commisioner of CT Department of Public Health (joined April 2019)

### Former Board members (who served between 7/1/18 – 6/30/19)

Yvette Melendez, Vice Chair (left in September 2018)
Sage Maier, SAC Chair (left in May 2019)
Raul Pino – Commisioner of the CT Department of Public Health (left March 2019)
Catherine Smith – Commisioner of CT Department of Economic and Community Development (left February 2019)

**Charter Oak State College**
55 Paul Manafort Drive
New Britain, CT 06053

Ed Klonoski, President

**Connecticut State Colleges & Universities**
61 Woodland Street
Hartford, CT 06105

Mark E. Ojakian, President

## Introduction

Management Discussion & Analysis provides an overview of the financial position and activities of the Charter Oak State College ("COSC" or "Combining Unit") and its component units for the fiscal year ended June 30, 2019, along with certain comparative information for the prior fiscal year ended June 30, 2018. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Community Colleges and Charter Oak State College, effective July 1, 2011. The Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees" for the Universities and Colleges.

COSC's role is to serve both residents of Connecticut and nonresidents with a variety of credit aggregation mechanisms, credit for prior learning, testing, and the acceptance of a high level of transfer credits to assist adults to complete their college degrees. This role evolved in 1998 with the introduction of online courses to complete degrees. COSC, which is the State's online college, was authorized by Section 28, 10a-143 (c) of the CT general statutes. It offers four General Studies degrees: Associate of Arts, Associate of Science, Bachelor of Arts, and Bachelor of Science. In addition, COSC offers Master's Degrees and certificate programs.

Courses are offered in three semesters during the year by COSC; fall, spring, and summer. The fall and spring semesters offer courses in three time formats: 15 weeks, two eight-week, and three five-week offerings. In the summer, two eight-week and two five-week offerings are available. Students are accepted into a program during three time periods throughout the year; fall, spring, and summer.

## Using The Financial Statements

COSC's financial report includes the following financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 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 COSC as a whole. As required by GASB Statements No. 34 and 35, a condensed comparative analysis of fiscal year 2019 to prior reporting periods is included. Full financial statements and footnotes for fiscal year 2019 are also presented, both for the COSC *primary institution*, as well as for certain other organizations that have a significant related party relationship with COSC (the "component units").

The COSC Foundation is the only component unit of COSC. The Foundation is a legally independent, tax-exempt non-profit organization separate from college control, founded to foster and promote the growth, progress and general welfare of the College and to solicit, receive and administer donations for such purposes.

## Financial Highlights

Charter Oak State College had total assets of $9.5 million, deferred outflows of $10.4 million, liabilities of $49.8 million, deferred inflows of $3.1 million and a total net position balance of ($33.0) million as of June 30, 2019. Of this amount, ($36.0) million is classified as unrestricted net position which was flat compared to 2018. The negative balance in unrestricted net position is a result of the pension and other post-employment benefit liabilities, as discussed further within this report.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $9.8 million, a 8% decrease from the previous year. Operating expenses were $19.1 million, a 1% decrease from the previous year, resulting in an operating loss of $9.3 million during the year ended June 30, 2019. Net non-operating revenues and other changes were $8.7 million, up 15% from the previous year, driven by a 43% increase in general fund appropriations and 15% increase in Pell. Capital appropriations were $0.3 million, down from $1.3 million in fiscal 2018.

Cash and cash equivalents were $6.0 million at June 30, 2019, including $0.6 million of cash equivalents restricted for use in the form of State appropriations reserved for specific programattic or capital expenditures. Total current assets were $7.2 million as of June 30, 2019. At June 30, 2018, cash and cash equivalents were $3.6 million and total current assets were $4.5 million. The ratio of unrestricted current assets of $6.5 million to current liabilities of $2.3 million was 2.8:1 in 2019 as compared to 1.7:1 in fiscal 2018. The current ratio reflects a financial position sufficient to provide short term liquidity. Non-current liabilities remained flat at $47.5 million between June 30, 2018 and 2019. The majority of this significant liability is composed of the net pension and other post-employment benefit liabilities. These large liabilities represent long-term obligations that are paid by the State of Connecticut and not COSC individually. The remaining long term liability of $0.8 million represents the long-term portion of the accrued value of vacation and sick time 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).

## Statements of Net Position

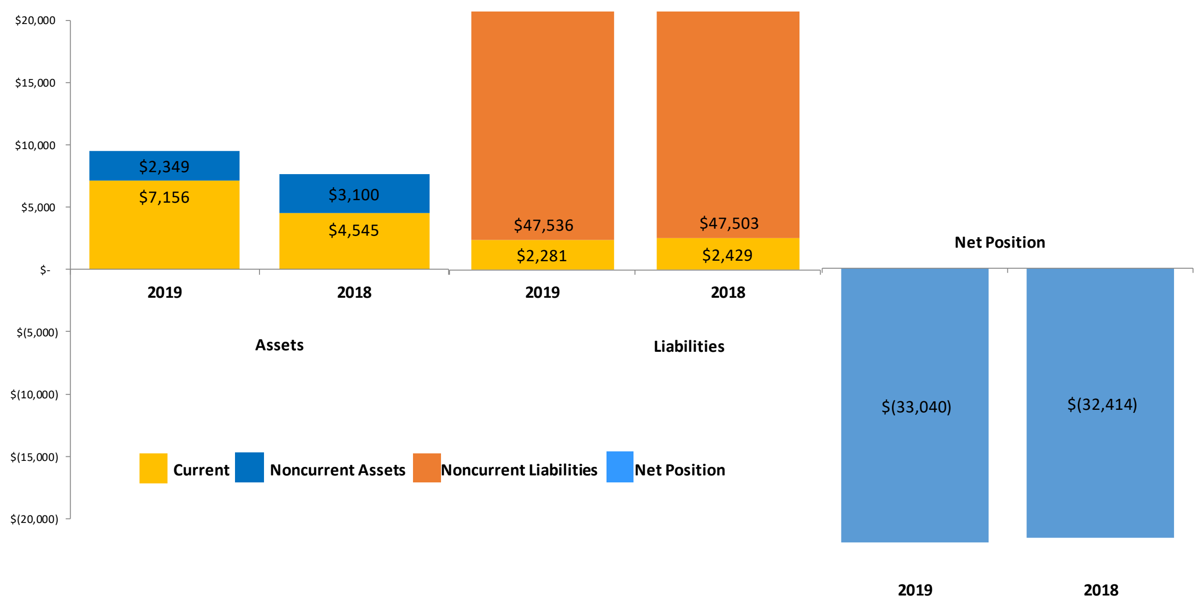
The Statements of Net Position presents the overall financial position of COSC at the end of the fiscal year, and includes all assets and liabilities of Charter Oak State College, including capital assets net of depreciation.

**Condensed Statements of Net Position as of June 30**
**(in thousands)**

| | 2019 | 2018 | % Change |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | $ 7,156 | $ 4,545 | 57% |
| Non-current assets | 2,349 | 3,100 | -24% |
| Total assets | 9,505 | 7,645 | 24% |
| **DEFERRED OUTFLOWS OF RESOURCES** | 10,377 | 12,264 | -15% |
| **LIABILITIES** | | | |
| Current liabilities | 2,281 | 2,429 | -6% |
| Noncurrent liabilities | 47,536 | 47,503 | 0% |
| Total liabilities | 49,817 | 49,932 | 0% |
| **DEFERRED INFLOWS OF RESOURCES** | 3,105 | 2,391 | 30% |
| **NET POSITION** | | | |
| Invested in capital assets | 2,349 | 3,100 | -24% |
| Restricted-expendable | 563 | 535 | 5% |
| Unrestricted | (35,952) | (36,049) | 0% |
| Total net position | (33,040) | (32,414) | 2% |

*Current assets* consist of cash, cash equivalents, accounts receivable and prepaid assets. The $2.6 million increase in current assets from the previous year is largely attributable to an increase in cash. Accounts receivable increased, slightly offset by a decrease in prepaid assets. Accounts receivable totaled $0.6 million at the end of fiscal year 2019. This is a $0.3 million increase from the $0.3 million of accounts receivable at the end of fiscal year 2018, primarily as a result of vendor recoveries agreed upon prior to the end of the fiscal year to be settled in cash. 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. COSC does not carry any other separate investments.

COSC FINANCIAL POSITION (in thousands)



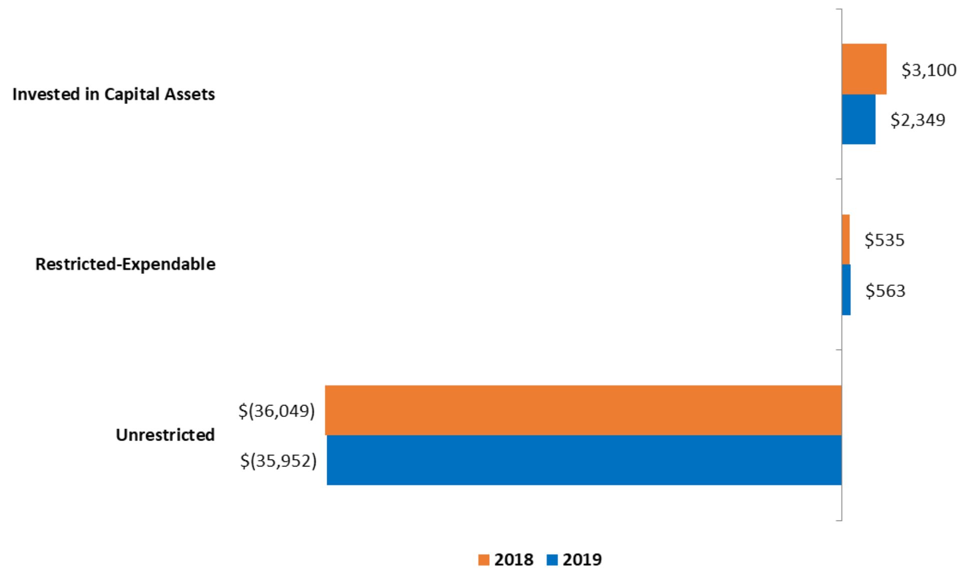

*Non-current assets* decreased 24% from $3.1 million at June 30, 2018, to $2.3 million at June 30, 2019. Net capital assets account for the total amount of non-current assets. At June 30, 2019, capital assets in service totaled $5.8 million, offset by $3.4 million in accumulated depreciation; this compared with $7.2 million and $4.1 million, respectively, at the end of fiscal year 2018. The decrease in fiscal 2019 was related to a slow down of capital expenditures as compared to the refresh of a technological data center in 2018.

*Current liabilities* consist primarily of accrued payroll and related benefits, unearned revenue, and accounts payable. Total current liabilities were $2.3 million at the end of fiscal year 2019, representing a $0.1 million decrease from fiscal year 2018. The most significant current liability was employee salary and fringe benefits payable of $0.9 million. Additional current liabilities include unearned tuition revenue, accrued compensated abscences (sick and vacation time benefits) that will be paid within the coming year.

*Non-current liabilities* consist of $21.2 million in pension liability, $25.6 million in other post-employment benefit liabilities and long-term accrued compensated absences ("ACA") of $0.8 million– to be paid out to terminating employees over time in the future beyond one year. Total non-current liabilities remained flat between 2019 and 2018 with slight increases in the pension liability offset by a decrease in the other post-employement benefit liability. The total ACA liability coupled with the pension and other post-employment benefit liabilities exceed the assets of COSC, and causes the unrestricted net position balance to be negative. In practice, however, the ACA liability represents the total payout should 100% of the employees resign immediately while the pension and other post-employment benefit liabilities reflect the allocation of a small share of the State of Connecticut's unfunded pension and OPEB liabilities and The State of Connecticut and State of Connecticut is resolving these liabilities through amortization over approximately 25 years using general fund appropriations to COSC and not using dollars attached to COSC's net position.

The total *net position* balance includes $2.3 million *Invested in capital assets, net of depreciation*. Charter Oak State College does not carry capital debt. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in COSC's financial statements.

COSC NET POSITION (in thousands)

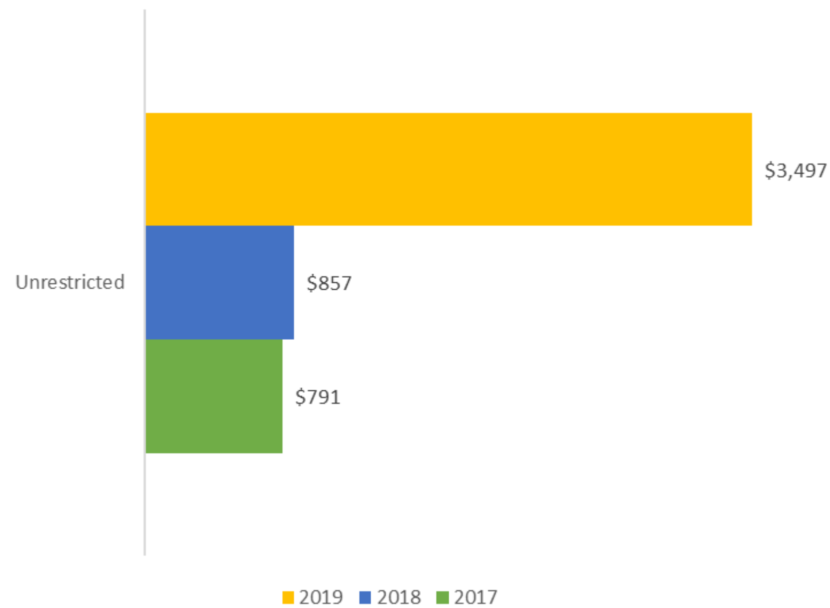



*Restricted-Expendable* net position represents primarily bond fund appropriation balances at June 30, 2019 and unexpended funds held for certain minor grant program activities. There were no significant changes in restricted-expendable net position year over year.

*Unrestricted net position* ("UNP") has shifted to a negative balance with the recognition of the pension liability and other post-employment benefit liability. Excluding the pension and other post-employment benefit liabilities, UNP increased by $2.6 million to $3.5 million during fiscal year 2019. The increase was due to excess revenues over expenses driven by the cost saving measures implemented by the College and greater than expected enrollment. The table below illustrates the fluctuations in aggregate COSC UNP over the past several years:

| | FY13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 |
|---|---|---|---|---|---|---|---|
| UNP Excluding Pension and OPEB Liability | $1.6 | $1.5 | $1.2 | $0.7 | $0.8 | $0.9 | $3.5 |
| UNP Adjusted for Pension Liability: | - | - | ($6.1) | ($6.7) | ($7.4) | ($8.9) | ($12.2) |
| UNP Adjusted for Pension & OPEB Liability: | - | - | - | - | ($34.3) | ($36.0) | ($36.0) |

COSC's UNRESTRICTED NET POSITION EXCLUDING PENSION & OPEB LIABILITIES (in thousands)




## Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents COSC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2019 were $9.7 million, down 8% from $10.6 million in fiscal year 2018. *Student tuition and fees* of $11.3 million represent the largest portion of operating revenue on a gross basis, but are offset by student financial aid and waivers resulting in net tuition and fee revenue of $8.5 million after scholarship allowances. These revenues reflect a FTE credit enrollment increase coupled by tuition rate increases in 2019. Additional operating revenues were down $1.0 million from 2018 due to the closure of the Connecticut Distance Learning Consortium, a subsidiary of COSC.

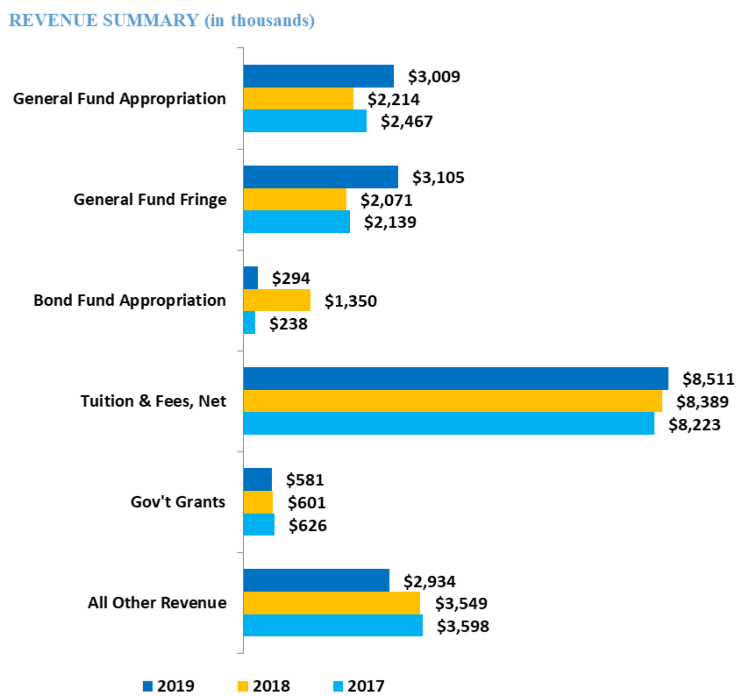
**Condensed Combined Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30 (in thousands)**

| | 2019 | 2018 | % Change |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Tuition and fees, net | 8,511 | 8,389 | 1% |
| Government grants and contracts | 581 | 602 | -3% |
| Additional operating revenues | 672 | 1,650 | -59% |
| Total operating revenues | 9,764 | 10,641 | -8% |
| **OPERATING EXPENSES** | | | |
| Expenses before depreciation | 18,405 | 18,847 | -2% |
| Depreciation | 655 | 440 | 49% |
| Total operating expenses | 19,060 | 19,287 | -1% |
| Operating loss | (9,296) | (8,646) | 8% |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| State appropriations - general fund * | 6,114 | 4,285 | 43% |
| State appropriations - bond fund | 294 | 1,350 | -78% |
| PELL Grants | 2,139 | 1,866 | 15% |
| Other non-operating revenues (expenses), net | 123 | 32 | 284% |
| Net non-operating revenues | 8,670 | 7,533 | 15% |
| **NET POSTION** | | | |
| Change in net position | (626) | (1,113) | -44% |
| Net position, beginning of year | (32,414) | (31,301) | 4% |
| Net position, end of year | $ (33,040) | $ (32,414) | 2% |

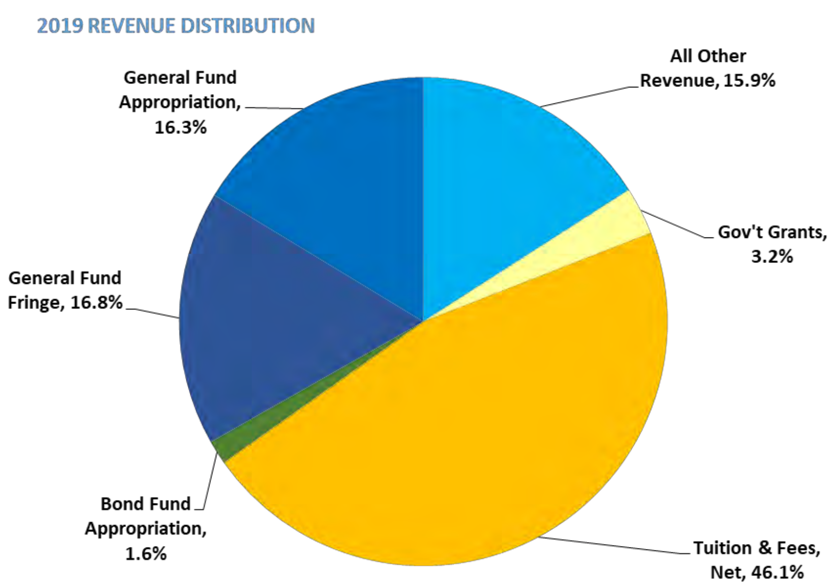
* Including non-cash fringe benefit expenditures

Charter Oak State College recorded an operating loss of $9.3 million during the year ended June 30, 2019. The primary contributing factors of the increase in loss year over year relates to the decline of additional operating revenues coupled with increased per employee fringe benefit costs. In addition, State bond fund appropriations and Pell grant revenue being classified as *non-operating revenues* under GASB 35 although the expenditures of these resources on personnel, non-capital equipment, depreciation and scholarships are considered to be an operating expense contributing to the operating loss.

*Government grant revenues* are comprised of the federally funded Supplemental Education Opportunity Grant ("SEOG") and the Adult Education grants together with other state government grants which fund various program-related activities. Government grant revenues at June 30, 2019 were $0.6 million with federal and state dollars consistent with the previous fiscal year. *Additional operating revenues* totaled $0.7 million in 2019, down 59% from $1.7 million in fiscal year 2018 driven by the closure of the Connecticut Distance Learning Consortium.

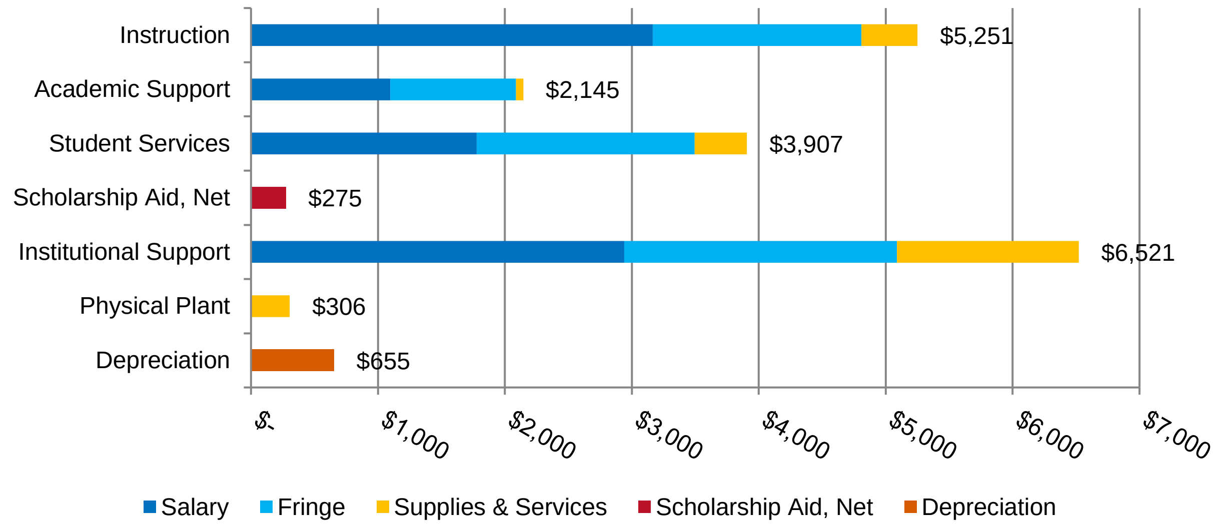



The State general fund appropriation for salaries increased by 36% to $3.0 million while associated State of Connecticut reimbursements to cover fringe benefit costs increased by 50% to $3.1 million. Bond fund appropriation revenues decreased from $1.4 million in 2018 to $0.3 million in 2019 as no significant purchases for capital equipment were planned for 2019. Other non-operating activity in fiscal year 2019 was limited to income earned on cash balances invested by the State treasurer's office.

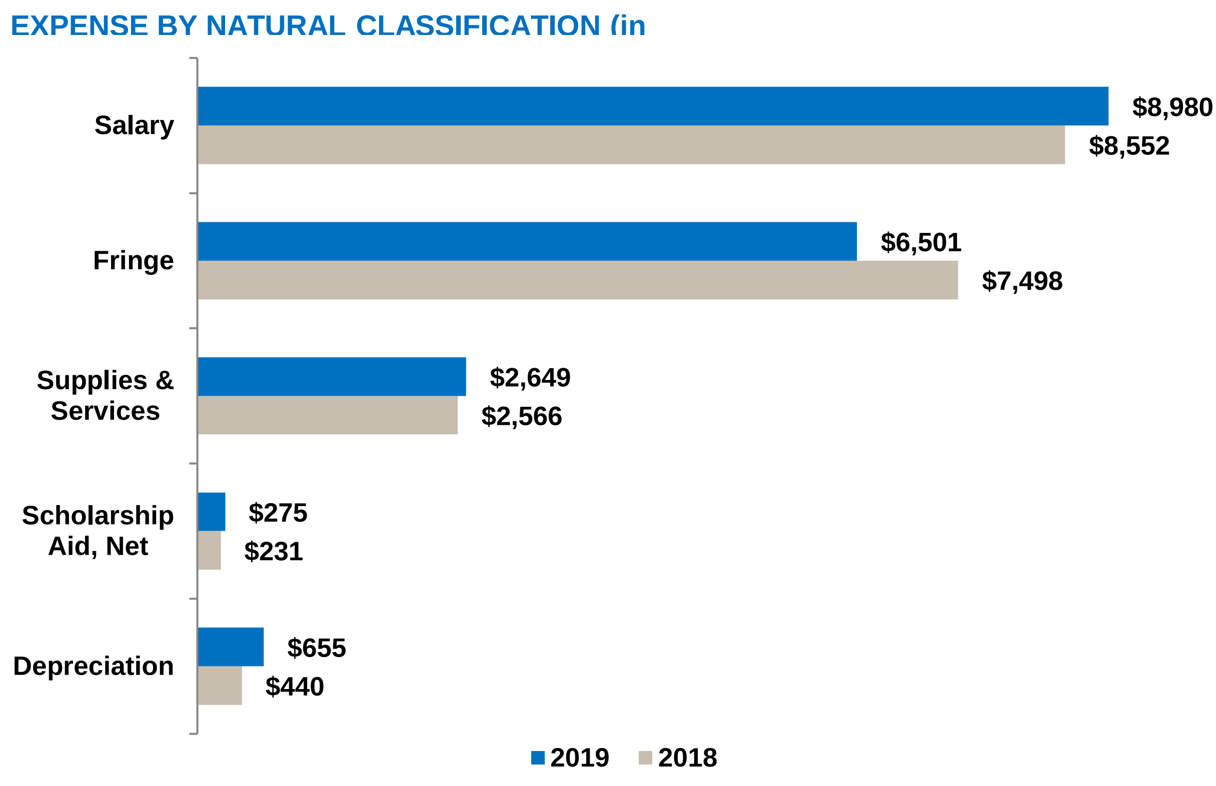


*Total operating expenses* for fiscal year 2019 were $19.1 million. This reflects an operating expense decrease of 1.2% from $19.3 million in fiscal year 2018. The decrease in fiscal year 2019 reflects an overall decrease in personnel fringe expenses offset partially through expense increases across remaining categories.

**2019 OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION (in thousands)**




Supplies and services include expenditures for 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, and all other non-personnel costs of operating the college.



## Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. Major sources of *operating activity* cash inflows include receipts of student tuition and fees of $8.5 million and receipts from government grants and contracts of $0.6 million, which trended in line with the prior fiscal year. Cash is also received from other miscellaneous activities such as testing, educational services and Connecticut Credit Assessment Program (CCAP). The largest operating cash outflows include salaries paid to employees of $10.1 million, down 14% from prior year. Operating cash outflows also include vendor payments of $2.7 million, up 13% from prior year. Payments to students of $0.2 million for financial aid refunds was consistent with prior year. Net cash used in operating activities decreased 16% in fiscal year 2019 when compared to fiscal year 2018, reflecting lower personnel costs due to the closure of the Connecticut Distance Learning Consortium. The State of Connecticut also directly covered a portion of the cost of fringe benefits for employees valued at $3.0 million, representing a non-cash transaction for COSC.

*Capital and related financing* cash flows are derived from capital appropriations from the state. During fiscal year 2019, COSC received capital funding of $0.3 million for purchases of capital equipment. Cash provided by *investing activities* represents small amounts of interest income earned on operating fund cash balances invested by the State treasurer on behalf of COSC, and distributed quarterly.

**Condensed Combined Statements of Cash Flows**
**Year Ended June 30**
**(in thousands)**

| | 2019 | 2018 | % Change |
|---|---|---|---|
| **NET CASH PROVIDED BY (USED IN)** | | | |
| Operating activities | $ (3,221) | $ (3,816) | -16% |
| Noncapital financing activities | 5,239 | 4,115 | 27% |
| Capital and related financing activities | 294 | 247 | 19% |
| Investing activities | 69 | 33 | 109% |
| Net change in cash and cash equivalents | 2,381 | 579 | 311% |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents, beginning of year | 3,624 | 3,045 | 19% |
| Cash and cash equivalents, end of year | $ 6,005 | $ 3,624 | 66% |

## Enrollment Table

Charter Oak State College will confront significant challenges and opportunities in the years ahead similar to other higher education institutions and State of Connecticut agencies. The following table illustrates the Integrated Postsecondary Education Data System ("IPEDS") unduplicated headcount and full-time equivalent ("FTE") student attendance at COSC:

| Year Ended June 30 | Unduplicated Headcount | % Change | FTE | % Change |
|---|---|---|---|---|
| 2019 | 2,337 | 3.0% | 912 | 3.9% |
| 2018 | 2,270 | -4.8% | 878 | -5.2% |
| 2017 | 2,384 | -4.9% | 926 | -2.5% |
| 2016 | 2,507 | -14.0% | 950 | -11.2% |
| 2015 | 2,915 | 17.1% | 1070 | 18.1% |
| 2014 | 2,489 | -4.0% | 906 | -1.2% |
| 2013 | 2,592 | -1.7% | 917 | 4.0% |
| 2012 | 2,637 | - | 882 | - |

## Economic Outlook

On May 9, 2018 the Connecticut General Assembly revised the fiscal year 2019 appropriation allocated to COSC to $2.9 million up from $2.2 million, a 32% increase from fiscal 2018 that is expected to continue through the next bi-ennium. This increase in appropriation has allowed COSC to stabilize itself and invest in student orientated programs that are expected to create a positive return on investment while strengthening student success and completion rates. In addition to the appropriation increase, unrestricted reserves increased significantly year over year as a result of several successful initiatives or events that will also create future period earnings or savings. Examples of these events and initiatives include:

- The closure of the Connecticut Distance Learning Consortium has reduced the technology footprint of COSC and provided mitigation of cyber security and contractual risks. The cost savings associated with the closure have been material
- Reimbursements of employee costs for instructional design development were provided to COSC from CSCU peer schools and various State of Connecticut agencies. These agreements and reimbursements will continue in future periods as the development work associated with instructional desin aligns with the COSC mission statement.
- Several enrollment initiatives are being phased into COSC which are expected to have long term enrollment benefits including substantial investments into marketing related materials, new undergraduate and graduate program development, corporate partnerships, and the innovation of both new and existing institutional aid resources available to deploy to financial aid seeking students.

COSC has additionally developed a strategic plan in fiscal year 2018 which identifies several areas of growth and development prioritized through a cost / benefit assessment. Leadership is currently developing an implementation for these strategies.

## Additional Information

This financial report is designed to provide a general overview of COSC'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 Michael Moriarty, Chief Financial Officer (860-515-3760).

**Hold for Independent Auditors Report**

**Hold for Independent Auditors Report**

# Charter Oak State College

Statement of Net Position

As of June 30, 2019

| | | 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 6,004,508 |
| Accounts receivable, net | | 601,584 |
| Other current assets | | 550,051 |
| Total current assets | | 7,156,143 |
| Noncurrent assets: | | |
| Capital assets, net | | 2,349,424 |
| Total noncurrent assets | | 2,349,424 |
| Total assets | | 9,505,567 |
| Deferred outflows of resources: | | |
| Deferred pension | | 9,187,280 |
| Deferred other post-employment benefits | | 1,189,232 |
| Total deferred outflows of resources | | 10,376,512 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | | 155,997 |
| Accrued payroll | | 861,408 |
| Unearned tuition revenues | | 626,703 |
| Accrued employee compensated absences | | 636,530 |
| Total current liabilities | | 2,280,638 |
| Noncurrent liabilities | | |
| Accrued employee compensated absences | | 764,388 |
| Net pension liability | | 21,200,995 |
| Net other post-employment benefit liability | | 25,570,473 |
| Total noncurrent liabilities | | 47,535,856 |
| Total liabilities | | 49,816,494 |
| Deferred inflows of resources: | | |
| Deferred pension | | 170,704 |
| Deferred other post-employment benefits | | 2,934,975 |
| Total deferred inflows of resources | | 3,105,679 |
| **Net Assets** | | |
| Invested in capital assets, net of related debt | | 2,349,425 |
| Restricted expendable | | 562,900 |
| Unrestricted | | (35,952,419) |
| Total net position (deficit) | $ | (33,040,094) |

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

| | 2019 |
|---|---|
| **Operating revenues:** | |
| Student tuition and fees | $ 11,267,686 |
| Less: scholarships and fellowships | (2,757,604) |
| Net tuition and fees | 8,510,082 |
| Federal grants and contracts | 372,701 |
| State and local grants and contracts | 207,993 |
| Other operating revenues | 672,212 |
| Total operating revenues | 9,762,988 |
| **Operating expenses:** | |
| Personnel services and fees | 15,481,220 |
| Professional services and fees | 225,618 |
| Travel expenses | 110,068 |
| Operation and maintenance of plant | 306,162 |
| Student aid | 274,648 |
| Other operating expenses | 2,006,950 |
| Depreciation | 655,473 |
| Total operating expenses | 19,060,139 |
| Net operating income (loss) | (9,297,151) |
| **Nonoperating revenues (Expenses):** | |
| State appropriations | 6,114,359 |
| Investment income | 68,555 |
| Gain (loss) on disposal of capital assets | (97,126) |
| Other nonoperating revenues/expenses | 151,785 |
| Pell grants | 2,139,008 |
| Net nonoperating revenues | 8,376,581 |
| Increase (decrease) in net position before capital appropriations | (920,570) |
| Capital appropriations | 294,040 |
| Increase (decrease) in net position | (626,530) |
| **Net position:** | |
| Net assets - beginning of year | (32,413,564) |
| Net assets - end of year | $ (33,040,094) |

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

| | 2019 |
|---|---|
| **Cash flows from operating activities** | |
| Tuition and fees | 8,524,819 |
| Grants and contracts | 580,694 |
| Payments to employees | (10,132,226) |
| Payments to suppliers and vendors | (2,668,609) |
| Payments to students | (155,435) |
| Other operating receipts | 629,790 |
| Net cash used in operating activities | (3,220,967) |
| **Cash flows from non-capital financing activities** | |
| State appropriations | 3,104,715 |
| Pell grants | 2,139,008 |
| Other | (5,369) |
| Net cash provided by non-capital financing activities | 5,238,354 |
| **Cash flows from capital financing activities** | |
| Capital appropriations | 294,040 |
| Purchases of capital assets | - |
| Net cash provided by capital financing activities | 294,040 |
| **Cash flows from investing activities** | |
| Interest on cash held by the State | 68,555 |
| Net increase (decrease) in cash and equivalents | 2,379,982 |
| Cash and equivalents, beginning of year | 3,624,526 |
| Cash and equivalents, end of year | 6,004,508 |
| **Reconciliation of net operating loss to net cash used in operating activities** | |
| Net operating loss | (9,297,151) |
| Adjustments to reconcile net operating loss to net cash used by operating activities: | |
| Depreciation | 655,473 |
| Fringe benefits provided by the state | 3,009,644 |
| Changes in assets and liabilities: | |
| Accounts receivable | (183,792) |
| Other Current assets | 108,056 |
| Accounts payable | 85,974 |
| Accrued payroll | (294,908) |
| Accrued employee compensation and benefits | 31,759 |
| Unearned tuition revenues | 69,022 |
| Net pension obligation | 2,468,800 |
| Net other post-employment benefit obligation | 126,156 |
| **Net cash used for operating activities** | $ (3,220,967) |
| **Non-cash transaction** | |
| Fringe benefits provided by the state | $ 3,009,644 |

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

Statement of Financial Position and Activities – Component Unit (in 000's)

## Statement of Financial Position

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 153,495 |
| Investments | 2,034,998 |
| Other assets | 625 |
| **Total assets** | 2,189,118 |
| **Liabilities** | |
| Accounts payable | - |
| **Total liabilities** | - |
| **Net assets** | |
| Without donor restrictions | 23,154 |
| With donor restrictions | 2,165,964 |
| **Total liabilities and net assets** | $ 2,189,118 |

## Statement of Activities

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and support** | | | |
| Contributions | $ 23,517 | $ 93,725 | $ 117,242 |
| Interest income | 124 | - | 124 |
| Investment return, net | - | 79,044 | 79,044 |
| Fundraiser proceeds, net | - | 4,391 | 4,391 |
| Net assets released from restrictions: | | | |
| Restrictions satisfied by payments | 91,452 | (91,452) | - |
| **Total revenues and support** | 115,093 | 85,708 | 200,801 |
| **Expenses** | | | |
| Program services - scholarships and grants | 82,094 | - | 82,094 |
| Supporting services - administrative and fundraising | 30,415 | - | 30,415 |
| **Total expenses** | 112,509 | - | 112,509 |
| **Change in net assets** | 2,584 | 85,708 | 88,292 |
| **Net position** | | | |
| Net assets - beginning of year | 20,570 | 2,080,256 | 2,100,826 |
| Net assets - end of year | $ 23,154 | $ 2,165,964 | $ 2,189,118 |

## 1. Summary of Significant Accounting Policies

**Organization**

The Connecticut State Colleges and Universities System ("CSCU") was established by the State of Connecticut (the "State") in 2011 via Public Act 11-48 as amended by Public Act 11-61. This brought together the governance structure for the Connecticut State University System ("CSUS"), the Connecticut State College System ("CCC") and Charter Oak State College ("COSC" or "College") under the newly formed Board of Regents for Higher Education. The financial statements presented herein represent only the financial activities of COSC. Separate financial statements are issued for CSUS and CCC.

CSCU consists of seventeen separate institutions including four state universities, twelve community colleges and Charter Oak State College. The CSCU system offers associate degrees, baccalaureate, graduate and certificate programs, applied doctoral degree programs in education as well as short-term certificates and individual coursework in both credit and noncredit programs.

**Basis of Presentation**

The financial statements for COSC 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 Government Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. These financial statements include the statements of COSC and a discretely presented component unit.

COSC's financial statements include three statements: the statements of net position, revenues, expenses, and changes in net position, and cash flows.

- The statements of net position present information on all of COSC's assets, liabilities, deferred outflows and inflows, and net position.
- The statements of revenues, expenses and changes in net position present information showing how the COSC's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).
- The statements of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to COSC in support of their programs. Although COSC does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds, and invests, is restricted to the activities of COSC by the donors**.** Since these restricted resources held by the Foundation can only be used by, or for the benefit of, COSC, the Foundation is considered a component unit of COSC.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board ("FASB") standards, which includes guidelines for Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's separately audited financial statements in COSC's financial reporting entity for these differences.

**Net Position**

Resources are classified for reporting purposes into the following three net position categories:

- **Invested in Capital Assets**
  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted Expendable**
  Net position whose use by COSC is subject to externally imposed stipulations that can be fulfilled by actions of COSC pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the Board of Regents ("BOR") or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic initiatives, and capital programs.

The Statement of Net Position of the component unit is classified as those net assets with and without donor restrictions consistent with the presentation required under ASU 2016-14 and the reporting framework applicable to the component unit.

**Classification of Assets and Liabilities**

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

**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 COSC by the State Treasurer and has original maturities of three months or less (see Note 2).

**Allowance for Doubtful Accounts**

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

**Fair Value of Financial Instruments**

Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable and accounts payable.

**Investment in Plant**
Capital assets are stated at historical cost. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life, which range from 5 to 40 years. Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

**Accrued Compensated Absences ("ACA")**
Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statements of net position reflect the accrual for the amounts earned as of year-end.

**Pension & Other Post Employment Obligations**
COSC records pension and other post-employment obligations equal to the net pension for its defined benefit and retiree health plans. These net liabilities are measured as the total pension and health liability, less the amount of the respective plan's fiduciary net position. The total liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Because there are other state entities participating in the plans, the net liability recorded by COSC is based on an allocation of the total net liability, as determined by an independent actuary.

Pension and other post-employment benefit expenses are recognized for benefits earned during the period, interest on the unfunded liability, and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows of resources and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

**Unearned Tuition Revenues**
Unearned tuition revenues consist primarily of tuition and fees that have been collected as of June 30, but are applicable to classes held thereafter. COSC recognizes revenue entirely for a class once 60% of the class has been completed, a threshold consistent with the earned period identified by the Department of Education for the return of Title IV funds.

**Tuition and Fees Revenue**
Student tuition and fees revenue is recognized in the period earned. Student tuition and fee revenue is presented net of scholarship allowance and waivers in accordance with GASB Statement No. 35. Student aid for scholarships recorded in the statement of revenues, expenses and changes in net position includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees is reflected as a scholarship allowance.

**Operating Activities**
Operating activities as reported on the statements of revenue, expenses and changes in net position 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 COSC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded

as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, Pell grants, gifts and investment income.

**Income Taxes**
COSC is a component unit of the State of Connecticut and is exempt from federal and state income taxes under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. COSC qualifies as a public charity eligible to receive charitable contributions under Section 170(b)(1)(A)(ii) of the Internal Revenue Code, as amended (the "Code").

**Use of Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes at June 30 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, pension and other post-employment benefit liabilities, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

**GASB Pronouncements Effective for Fiscal Year 2019**
In November 2016, GASB released Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to address accounting for legally enforceable liabilities associated with the retirement and future activities of a capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 with earlier application encouraged. This standard was adopted in fiscal year 2019 and there was no impact as a result of the adoption.

**GASB Pronouncements Effective in Future Fiscal Years**
In January 2017, GASB released Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged.

In April 2018, GASB released Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In June 2018, GASB released Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged.

In August 2018, GASB released Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a holding of the equity interest meets the definition of an investment. This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In 2019, GASB released Statements 91. The requirements of these statements are effective for future reporting periods and management is evaluating the impact these pronouncements will have.

**Subsequent Events**
In accordance with generally accepted accounting principles, COSC has evaluated subsequent events for the period after June 30, 2019, through January XX, 2019, the date the financial statements were issued noting no material events.

## 2. Cash, Cash Equivalents and Investments

Cash and cash equivalents is invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. COSC 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 COSC's daily cash flow requirements.

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2019 was 2.42%.

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

*Credit Risk* – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. COSC 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 low 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% or more of the total value of investments. The majority of COSC's total cash, cash equivalents and investments was invested in the STIF and the State's pooled, interest credit program accounts as of June 30, 2019.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. There is no significant exposure to interest rate risk as cash and cash equivalents are held in STIF which is comprised of short-term money market instruments.

## 3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2019:

| | |
|---|---|
| Student accounts receivable | $ 930,541 |
| Other receivables | 190,829 |
| Gross accounts receivable | 1,121,370 |
| Less: allowance for doubtful accounts | (519,786) |
| Accounts receivable, net | $ 601,584 |

## 4. Capital Assets

Capital Asset activity for the year ended June 30, 2019 is as follows (in thousands):

| | Estimated life (in years) | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not depreciated: | | | | | |
| Art | | $ 15.0 | $ - | $ - | $ 15.0 |
| Capital assets, depreciated: | | | | | |
| Buildings and improvements | 10-40 | 2,509.0 | - | - | 2,509.0 |
| Furnishings and equipment | 5 | 3,716.6 | 1.5 | (877.3) | 2,840.8 |
| Software | 5 | 967.5 | - | (534.60) | 432.9 |
| Total depreciable assets | | 7,193.1 | 1.5 | (1,411.9) | 5,782.7 |
| Total capital assets | | 7,208.1 | 1.5 | (1,411.9) | 5,797.7 |
| Less: accumulated depreciation | | | | | |
| Buildings and Improvements | | 1,306.0 | 65.1 | - | 1,371.1 |
| Furnishings and equipment | | 2,220.8 | 456.2 | (780.2) | 1,896.8 |
| Software | | 580.8 | 134.1 | (534.6) | 180.3 |
| Total accumulated depreciation | | 4,107.6 | 655.4 | (1,314.8) | 3,448.2 |
| Capital assets, net | | $ 3,100.5 | $ (653.9) | $ (97.1) | $ 2,349.5 |

## 5. Accrued Compensated Absences

Accrued compensated absences at June 30, 2019 consist of:

| | Current | Non Current | Total |
|---|---|---|---|
| Vacation | $ 619,803 | $ 480,455 | $ 1,100,258 |
| Sick | 16,727 | 283,933 | 300,660 |
| | $ 636,530 | $ 764,388 | $ 1,400,918 |

These accruals represent estimated amounts earned by all eligible employees through June 30, 2019. The 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 COSC. The current portion of compensated absences is estimated based on recent past history.

## 6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to another purpose within the State of Connecticut. There were no transfers made during fiscal year 2019.

Accrued salaries and related fringe benefit costs for CSCU employees within COSC, whose salaries will be charged to the State of Connecticut General Fund represent a related party balance. The accompanying statements of net position includes balances among related parties. Significant balances for the year ended June 30, 2019 relate to Cash and Cash equivalents held by the State Treasurer.

## 7. Commitments, Contingencies and Leases

COSC makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. COSC is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of COSC.

CSCU is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that eventual liability, if any, will not have a material effect on COSC's financial position.

COSC may have outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30, 2019. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances as of June 30, 2019 were not material.

COSC leases various equipment under operating lease agreements. The following summarizes future minimum payments under non-cancelable leases subsequent to the year ended June 30, 2019 (in thousands):

| Fiscal Years Ending June 30, | Operating Leases |
|---|---|
| 2020 | $ 93.4 |
| 2021 | 93.0 |
| 2022 | 12.8 |
| 2023 | 12.8 |
| 2024 | 12.8 |
| | $ 224.8 |

Rent expense for operating leases was $80,216 for the year ended June 30, 2019.

## 8. Pension Plans

*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 COSC 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"). SERS provides retirement, disability, death benefits and 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 agreements between the state and the State Employee Bargaining Agent Coalition("SEBAC") as authorized by the General Statutes. SERS does not issue standalone 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, and in annual actuarial valuations prepared by the State Retirement Commission.

Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, or TRS depending on several factors.

Employees hired after July 1, 2011 but before July 31, 2017 were eligible to participate in Tier III or the Hybrid Plan, the 2 primary SERS plan options available (some employees are eligible to elect the Teachers Retirement System - "TRS"). The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the State of Connecticut and SEBAC, provides a retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a 5% employer match and 4% interest in lieu of a defined benefit.

Employees hired after July 1, 2017 are eligible to participate in Tier IV as a result of the 2017 SEBAC agreement. The SERS Tier IV plan is comprised of both a traditional Defined Benefit component and a new Defined Contribution component. The Tier IV Defined Benefit component provides a pre-defined monthly retirement income for life, with the amount being affected by years of service, retirement age, and the member's final average earnings for members that satisfy the Tier IV minimum age and service eligibility requirements. The Tier IV Defined Contribution component establishes an account consisting of an accumulation of employee and employer contributions both set equal to 1%, as well as investment gains or losses. Each Tier IV member will have an account with the third party administrator of the State of Connecticut Alternate Retirement Program (ARP). COSC makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is a defined contribution plan managed by Prudential. Under this arrangement, plan participants contribute 5.5% of their pay and the State contributes 7.5% to individual participants' investment accounts managed by Prudential. COSC pays a fringe benefit charge to the State which includes the 7.5% employer contribution, employee health benefits and an administrative charge. The aforementioned 2011 SEBAC agreement provides COSC employees who were both hired before July 1, 2011 and participating in ARP with a one-time irrevocable option through December 31, 2018 of electing to transfer their membership from ARP to the SERS Tier II/IIA or Hybrid Plan and purchasing credit in the plan for their prior services at full actuarial cost.

*Funding Policy*
The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining.

Tier I Plan B regular and Plan B Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base, respectively, plus 5% above that level. Tier I Plan C and Hybrid Plan members are required to contribute 5% of their annual salary. Tier IIA Plan and Tier III Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. Tier IV employees contribute 5% of their salary (8% for hybrid and hazardous duty members) plus 1% into the defined contribution component.

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 64.30% for SERS in the fiscal year ended June 30, 2019 resulting in a contribution of $1.66 million on behalf of COSC, equal to the required contribution that year.

*Net Pension Liability*

COSC's net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2019 was measured and valued as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date. COSC's proportion of the net pension liability was based on a projection of COSC's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the SERS plan, COSC's proportion was 0.1% as of June 30, 2019.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to COSC is calculated separately. The net pension liability for COSC as of June 30, 2019 for SERS was $21.2 million. COSC has no net pension liability associated with the TRS due to COSC's proportional size to the overall plan.

*Actuarial Assumptions for SERS:*

The total pension liability for the 2018 measurement year was determined using the following actuarial assumptions, applied to all periods:

| | |
|---|---|
| *Inflation* | *2.50%* |
| *Salary increases including inflation* | *3.50% - 19.50%* |
| *Investment rate of return, net of expense, including inflation* | *6.90%* |

Mortality rates were based on the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females.

The actuarial assumptions used in the June 30, 2018 valuation (which was the basis for recording the June 30, 2019 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class as of 2018 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equities | 21% | 5.8% |
| Developed Non-U.S. Equities | 18% | 6.6% |
| Emerging Market (Non-U.S.) | 9% | 8.3% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Fixed Income | 8% | 1.3% |
| High Yield Bonds | 5% | 3.9% |
| Emerging Market Bond | 4% | 3.7% |
| TIPS | 5% | 1.0% |
| Cash | 4% | 0.4% |
| | 100% | |

*Discount Rate for SERS:*

The discount rate used to measure the total pension liability was 6.9% in the 2018 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of Net Pension Liability to Changes in Discount Rate*

The following presents the current-period net pension liability of COSC calculated using the current-period discount rate assumption of 6.9% for SERS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| *1% Decrease (5.9%)* | *Current Discount (6.9%)* | *1% Increase (7.9%)* |
|---|---|---|
| *$25,299,407* | *$21,201,058* | *$17,781,433* |

*Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pension Plan*

For the year ended June 30, 2019, COSC recognized pension expense of $2.5 million. A schedule of deferred outflows and inflows of resources as of June 30, 2019 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to COSC that will be recognized in pension expense during the next five years is as follows (in thousands):

| Fiscal Years Ending June 30, | | SERS | | TRS | | Total |
|---|---|---|---|---|---|---|
| 2019 | $ | 2,613 | $ | 9 | $ | 2,622 |
| 2020 | $ | 2,276 | $ | 9 | $ | 2,285 |
| 2021 | $ | 1,709 | $ | 6 | $ | 1,716 |
| 2022 | $ | 656 | $ | 4 | $ | 660 |
| 2023 | $ | 39 | $ | 3 | $ | 42 |
| **Total** | **$** | **7,293** | **$** | **31** | **$** | **7,325** |

## 9. Other Post-Employment Benefits

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

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

There is a single State sponsored defined benefit OPEB plan open to CSCU employees, the State Employee OPEB Plan (SEOPEBP). The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions.

*Plan Description*

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of CSCU who are receiving benefits from any State-sponsored retirement system. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

*Funding Policy*

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees' unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund outside of COSC. COSC contributes and helps fund the annual appropriation based upon a designated fringe rate established by the State.

*Investments*
The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the State's Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The best estimates of rates of return for each major asset class as of 2018 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equities | 21% | 5.8% |
| Developed Non-U.S. Equities | 18% | 6.6% |
| Emerging Market (Non-U.S.) | 9% | 8.3% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Fixed Income | 8% | 1.3% |
| High Yield Bonds | 5% | 3.9% |
| Emerging Market Bond | 4% | 3.7% |
| Inflation Linked Bonds | 5% | 1.0% |
| Cash | 4% | 0.4% |
| | 100% | |

*Net OPEB Liability*
COSC's net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2019 was measured and valued as of June 30, 2018 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. COSC's proportion of the net OPEB liability was based on a projection of COSC's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined.

For the SEOPEBP plan, at June 30, 2019 COSC's proportion was 0.15%. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately.  The net OPEB liability for COSC as of June 30, 2018 for SEOPEBP was $25.6 million.

*Actuarial Assumptions:*
The OPEB liability was determined using the following actuarial assumptions, applied to all periods:

| | |
|---|---|
| Payroll growth rate | 3.50% |
| Salary increases | 3.25% to 19.50% varying by years of service/plan |
| Discount rate | 3.95% as of 6/30/18 and 3.68% as of 6/30/17 |
| Healthcare cost trend rates: | |
| Medical | 6.5% graded to 4.5% over 4 years |
| Prescription drug | 8.0% graded to 4.5% over 7 years |
| Dental and Part B | 4.5% |
| Administrative expense | 3.0% |

Mortality rates for the State Employees OPEB Plan were based on the RP-2000 Healthy Annuitant Mortality Table for male rates projected 15 years (set back 2 years) and female rates projected 25 years (set back one year) under Scale AA.

The discount rate used to measure the total OPEB liability for SEOPEBP was 3.95%. The projection of cash flows used to determine the discount was performed in accordance with GASB pronouncements.

The following presents the current period net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate utilized:

Discount rate sensitivity:

| 1% Decrease (2.95%) | Current Discount (3.95%) | 1% Increase (4.95%) |
|---|---|---|
| $29,659,881 | $25,570,473 | $22,249,611 |

Healthcare cost trend sensitivity:

| 1% Decrease | Current Discount | 1% Increase |
|---|---|---|
| $21,780,118 | $25,570,473 | $30,373,400 |

*OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2019, COSC recognized OPEB expense of $0.13 million. A schedule of deferred outflows and inflows of resources as of June 30, 2019 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to COSC that will be recognized in pension expense during the next five years is as follows:

| | | |
|---|---|---|
| 2020 | $ | (784,972) |
| 2021 | $ | (784,972) |
| 2022 | $ | (784,975) |
| 2023 | $ | (472,898) |
| 2024 | $ | (107,156) |

## 10. Unearned Revenue

Unearned revenues for the year ended June 30, 2019 amounted to $626,703.

## 11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows (in thousands):

| | Salary | Fringe | Supplies & Services | Scholarship Aid, Net | Depreciation | Total |
|---|---|---|---|---|---|---|
| Depreciation | $- | $- | $- | $- | $655 | $655 |
| Physical Plant | - | - | 306 | - | - | 306 |
| Institutional Support | 2,941 | 2,147 | 1,433 | - | - | 6,521 |
| Scholarship Aid, Net | - | - | - | 275 | - | 275 |
| Student Services | 1,777 | 1,719 | 411 | - | - | 3,907 |
| Academic Support | 1,097 | 991 | 57 | - | - | 2,145 |
| Instruction | 3,165 | 1,644 | 442 | - | - | 5,251 |
| Total operating expenses | $8,980 | $6,501 | $2,649 | $275 | $655 | $19,060 |

## 12. Bonds Payable

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities of COSC. 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 COSC and, accordingly, the State's debt obligation attributable to COSC educational and general facilities is not reported as COSC debt.

## 13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2019 (in thousands):

| | SERS | TRS | Total Pension | OPEB | Total Deferred |
|---|---|---|---|---|---|
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Difference between expected and actual experience | $ 748 | $ - | $ 748 | $ - | $ 748 |
| Changes of assumptions or other inputs | 2,310 | - | 2,310 | - | 2,310 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 4,410 | 31 | 4,441 | - | 4,441 |
| Employer contributions after measurement date | 1,661 | 27 | 1,688 | 1,189 | 2,877 |
| Total | $ 9,129 | $ 58 | $ 9,187 | $ 1,189 | $ 10,376 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Changes of assumptions or other inputs | $ - | $ - | $ - | $ 1,358 | $ 1,358 |
| Net difference between projected and actual earnings on pension plan investments | 66 | - | 66 | 11 | 77 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 104 | - | 104 | 1,567 | $ 1,671 |
| Total | $ 170 | $ - | $ 170 | $ 2,935 | $ 3,105 |

# REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of The Combining Unit's Proportionate Share of The Net Pension Liability**
**State Employee Retirement System Plan**
(in thousands)
Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| COSC's proportion of the net pension liability | 0.10% | 0.10% | 0.07% | 0.06% | 0.06% | 0.05% |
| COSC's proportionate share of the net pension liability | $ 21,201 | $ 20,753 | $ 15,610 | $ 10,043 | $ 9,130 | $ 7,870 |
| COSC's covered-employee payroll | $ 3,351 | $ 3,793 | $ 2,529 | $ 2,199 | $ 1,988 | $ 1,592 |
| COSC's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 633% | 547% | 617% | 457% | 459% | 494% |
| Plan Fiduciary net position as a percentage of the total pension liability | 36.62% | 36.25% | 31.69% | 39.23% | 39.54% | Unavailable[1] |

[1] Until a full 10-year trend is compiled, COSC is presenting only information for years for which information is available.

**Schedule of The Combining Unit's Contributions**
**State Employee Retirement System Plan**
(in thousands)
Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,411 | $ 1,519 | $ 1,021 | $ 834 | $ 727 | $ 503 |
| Contributions in relation to the contractually required contribution | (1,411) | (1,519) | (1,021) | (834) | (723) | (502) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ 4 | $ 1 |
| COSC's covered-employee payroll | $ 3,351 | $ 3,793 | $ 2,529 | $ 2,199 | $ 1,988 | $ 1,592 |
| Contributions as a percentage of covered employee payroll | 42.10% | 40.05% | 40.36% | 37.91% | 36.38% | 31.54% |

[1] Until a full 10-year trend is compiled, COSC is presenting only information for years for which information is available.

## 1. Changes in Benefit Terms for State Employee Retirement System Plan

There were no changes for the June 30, 2018 valuation.

**Schedule of Net Other Post Employment Benefits Liability and Related Ratios**

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| COSC's proportion of the net OPEB liability | 0.15% | 0.12% | 0.13% |
| COSC's proportionate share of the net OPEB liability | $ 25,570,473 | $ 25,846,053 | $ 27,927,904 |
| COSC's covered-employee payroll | $ 5,739,353 | $ 6,053,317 | $ 6,171,250 |
| COSC's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 446% | 427% | 453% |
| Plan Fiduciary net position as a percentage of the total OPEB liability | 4.69% | 3.03% | 1.94% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

**Schedule of Contributions**
**Other Post Employment Benefits**

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Contractually required contribution | $ 1,187,694 | $ 1,000,421 | $ 985,748 |
| Contributions in relation to the contractually required contribution | (1,187,694) | (1,000,421) | (985,748) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered-employee payroll | $ 5,739,353 | $ 6,053,317 | $ 6,171,250 |
| Contributions as a percentage of covered employee payroll | 21% | 16.53% | 15.97% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

**1. Changes in Assumptions for State Employee OPEB Plan**

For the June 30, 2018 valuation, the following assumptions were updated:

- The discount rate was updated in accordance with GASB Statement No. 75 to 3.95%

CSCU Connecticut State Universities

# 2019 Financial Statements

*including*

Required Supplementary Information

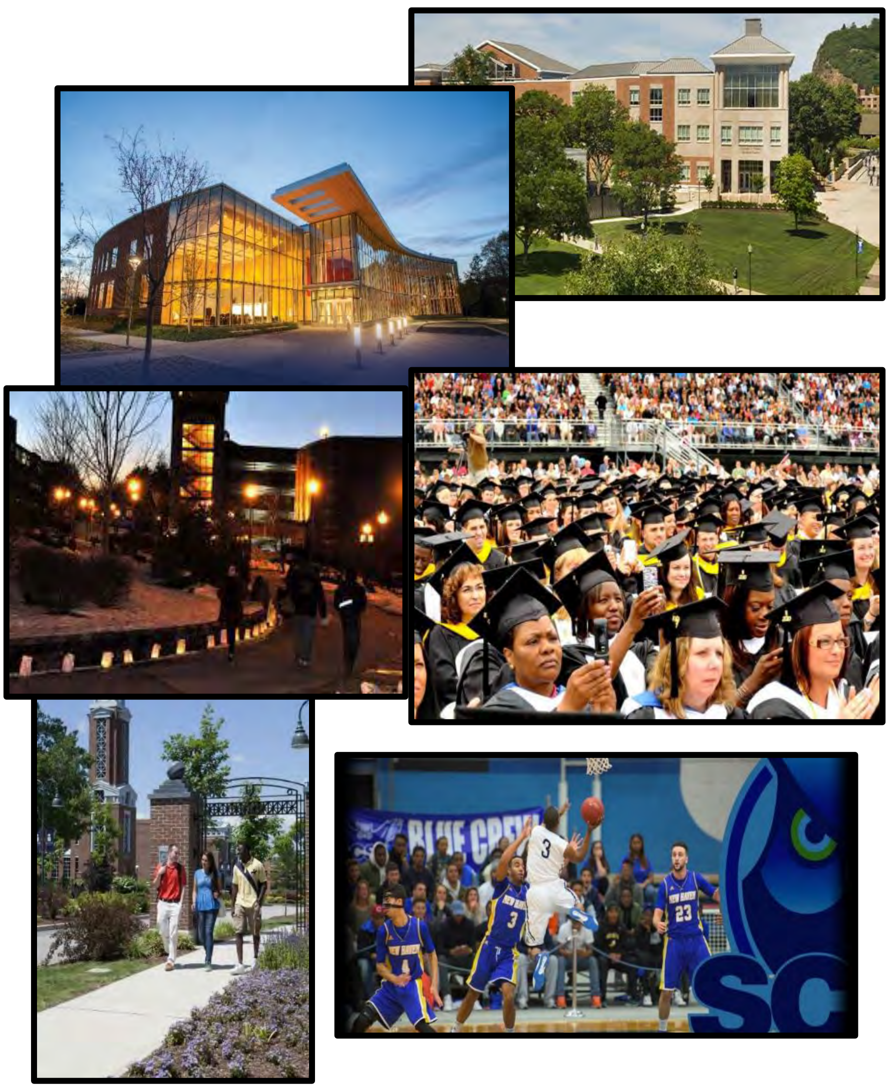
Additional Supplemental Information

**June 30, 2019**

CSCU

**Connecticut State Universities Mission Statement**

As part of the Connecticut State Colleges & Universities (CSCU) system, the four Connecticut State Universities offer exemplary and affordable undergraduate and graduate instruction leading to degrees in the liberal arts, sciences, fine arts, applied fields, and professional disciplines. They advance and extend knowledge, research, learning and culture while preparing students to enter the workforce and to contribute to the civic life of Connecticut's communities. Through a variety of living and learning environments, the Universities ensure access and diversity to meet the needs of a broad range of students. They support an atmosphere of inter-campus learning, the exploration of technological and global influences and the application of knowledge to promote economic growth and social justice



CSCU

**Members of the Board of Regents for Higher Education**
**(Between 7/1/18 – 6/30/19)**

- Thirteen members: nine appointed by the Governor; four appointed by legislative leaders
- Two students chosen by their peers (Chair and Vice Chair of Student Advisory Committee)
- Six non-voting, ex-officio members:
  - Four CT commissioners appointed by the Governor from the Departments of Public Health, Education, Economic and Community Development, and Labor
  - Chair and Vice Chair of the Faculty Advisory Committee

**REGENTS AS OF 6/30/19**

*(Three vacancies: one student regent; two legislative appointees.)*

Matt Fleury, Chair
Merle W. Harris, Vice Chair
Richard J. Balducci
Aviva D. Budd
Naomi K. Cohen
Felice Gray-Kemp
Holly Howery
David R. Jimenez
Pete Rosa (appointed September 2018)
JoAnn Ryan
Elease E. Wright
Elena Ruiz, Vice Chair of Student Advisory Committee

**EX-OFFICIO, NON-VOTING MEMBERS**

Del Cummings –Chair of the Faculty Advisory Committee
(term as Chair began 1/1/19; previously Vice Chair)
William Lugo – Vice Chair of the Faculty Advisory Committee
(term as Vice Chair began 1/1/19; previously Chair)
Kurt Westby – Commissioner of the CT Department of Labor
Dianna R. Wentzell – Commissioner of the State Department of Education
David Lehman – Commissioner of Department of Economic and Community Development
(joined March 2019)
Commissioner Renee D. Coleman-Mitchell – Commissioner of CT Department of Public Health
(joined April 2019)

**Former Board members (who served between 7/1/18 – 6/30/19)**

Yvette Meléndez, Vice Chair (left September 2018)
Sage Maier, SAC Chair (left May 2019)
Raul Pino – Commissioner of the CT Department of Public Health (left March 2019)
Catherine Smith – Commissioner of CT Department of Economic and Community Development
(left February 2019)

**Connecticut State Universities**

Central Connecticut State University (CCSU)
1615 Stanley Street
New Britain, CT 06050
Dr. Zulma Toro, President

Eastern Connecticut State University (ECSU)
83 Windham Street
Willimantic, CT 06226
Dr. Elsa Nunez, President

Southern Connecticut State University (SCSU)
501 Crescent Street
New Haven, CT 06515
Dr. Joseph Bertolino, President

Western Connecticut State University (WCSU)
181 White Street
Danbury, CT 06810
Dr. John B. Clark, President

System Office, Connecticut State Colleges & Universities
61 Woodland Street
Hartford, CT 06105
Mark E. Ojakian, President

CSCU

**Connecticut State University System**
**Index to Financial Statements**
**June 30, 2019**

CSCU

## Introduction

Management's Discussion and Analysis provides an overview of the financial position and results of activities of the Connecticut State University System ("CSUS" or "System") and its component units for the fiscal year ended June 30, 2019. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Connecticut Community Colleges and Charter Oak State College, effective July 1, 2011. 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 the Connecticut State University System."

CSUS is a state-wide public university system of higher learning in the State of Connecticut with 32,722 enrolled students. The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 150 subject areas and provide extensive opportunities for internships, community service and cultural engagement. In total, CSUS employed approximately 3,000 full time employees at June 30, 2019.

The CSUS is composed of four primary Universities that make up the primary reporting entity. The System's four Universities include:

- Central Connecticut State University (CCSU) in New Britain,
- Eastern Connecticut State University (ECSU) in Willimantic,
- Southern Connecticut State University (SCSU) in New Haven, and
- Western Connecticut State University (WCSU) in Danbury

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

## Using the Financial Statements

CSUS's financial report includes the following financial statements: the Statement of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 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 Statements No. 34 and 35, fiscal year 2019 financial data is presented, both for the CSUS *primary institution*, as well as for certain other organizations that have a significant related party relationship with CSUS (the "component units").

The component units are the CCSU Foundation, Inc., the ECSU Foundation, Inc., the Southern Connecticut State University Foundation, Inc., the Western Connecticut State University Foundation Inc. and the Connecticut State University System Foundation, Inc. (collectively, the "Foundations"). The

Foundations are legally independent, tax-exempt non-profit organizations separate from university control, founded to foster and promote the growth, progress and general welfare of the Universities and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Universities' endowments. However, the assets of these component units are not available to CSUS for use at its discretion. This MD&A discusses the University's financial statements only and not those of its component units.

## Financial Highlights

At June 30, 2019, total assets of the System were $1,828.6 million, an increase of $75.6 million or 4.3% over the prior year of $1,752.9 million, primarily due to an increase in capital assets, net of $45.3 million and an increase in investments of $55.8 million, offset by a decrease in amounts due from the State of $16.0 million.

**Condensed Statements of Net Position**
**June 30, 2019 and 2018**
**(in millions)**

| | 2019 | 2018 | % Change |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | $ 420.9 | $ 384.6 | 9.4% |
| Non-current assets: | | | |
| Capital assets, net | 1,224.9 | 1,179.5 | 3.8% |
| Other | 182.8 | 188.8 | -3.2% |
| Total Assets | 1,828.6 | 1,752.9 | 4.3% |
| **DEFERRED OUTFLOWS OF RESOURCES** | 320.9 | 355.0 | -9.6% |
| **LIABILITIES** | | | |
| Current liabilities | 145.7 | 145.5 | 0.1% |
| Non-current liabilities | 2,294.9 | 2,276.4 | 0.8% |
| Total liabilities | 2,440.6 | 2,421.9 | 0.8% |
| **DEFERRED INFLOWS OF RESOURCES** | 130.6 | 69.6 | 87.6% |
| **NET POSITION** | | | |
| Invested in capital assets - net of related debt | 1,088.6 | 1,029.8 | 5.7% |
| Restricted nonexpendable | 0.5 | 1.2 | -58.3% |
| Restricted expendable | 20.1 | 48.1 | -58.2% |
| Unrestricted | (1,530.9) | (1,462.7) | -4.7% |
| Total net position | (421.7) | (383.6) | -9.9% |

Total liabilities at June 30, 2019 of $2,440.6 million increased by $18.7 million. Bonds payable increased by $40.7 million due to the issuance of Series Q CHEFA bonds for $92.1 million of which a portion was used to partially refund Series I by $40.1 million. Other post-employment benefits, net decreased by $41.2 million primarily due to an increase in the discount rate.

At June 30, 2019, total net position, which represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was ($421.7) million, a decrease of $38.1 million or 9.9% over fiscal year 2018's net position of ($383.6) million. This decrease was primarily due to a decrease in deferred outflows related to the pension and OPEB and an increase in deferred inflows related to the pension that resulted in a net decrease of unrestricted net position of ($68.2) million.

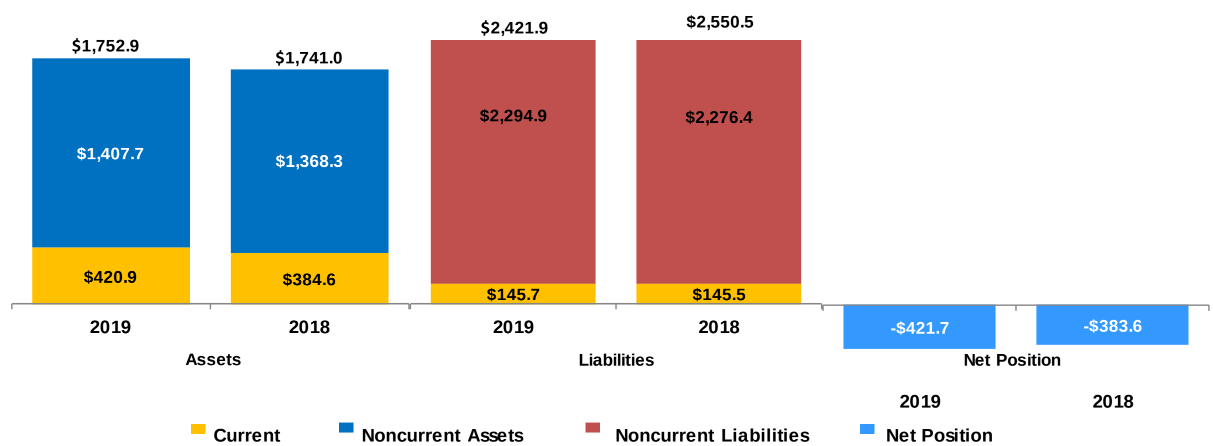
The large negative balance in unrestricted net position was a result of the adoption of GASB 68 in fiscal year 2015 and GASB 75, *Other Post-Employment Benefits*, in fiscal year 2018. Adoption of GASB 68 required the System to recognize a liability for pension plans, which was previously disclosed only at the State level. The adoption of GASB 75 in fiscal year 2018 required the System to recognize the net liability for other post-employment benefits (OPEB). The offset to the pension and OPEB liabilities was a reduction in unrestricted net position as further discussed below.

## Statement of Net Position

The Statement of Net Position presents the overall financial position of the System at the end of the fiscal year, and includes all assets and liabilities of the Connecticut State University System, including capital assets net of depreciation.

*Current assets* at June 30, 2019 of $420.9 million increased by $36.3 million or 9.4% primarily due to the increase in investments of $55.8 million offset by a decrease in the amounts due from the state of $16.1 million. The System's current ratio of 2.9:1 at the end of fiscal year 2019 is an increase from a ratio of 2.6:1 from the prior fiscal year end. The current ratio reflects a financial position sufficient to provide short term liquidity.

THE CSUS FINANCIAL POSITION (in millions of dollars)




*Total non-current assets* at June 30, 2019, of $1,407.7 million increased by $39.4 million or 2.9% primarily due to an increase in capital assets, net of $45.3 million. The increase in fiscal 2019 was related to an increase in capital projects ongoing during the year – see Note 4 for more information.

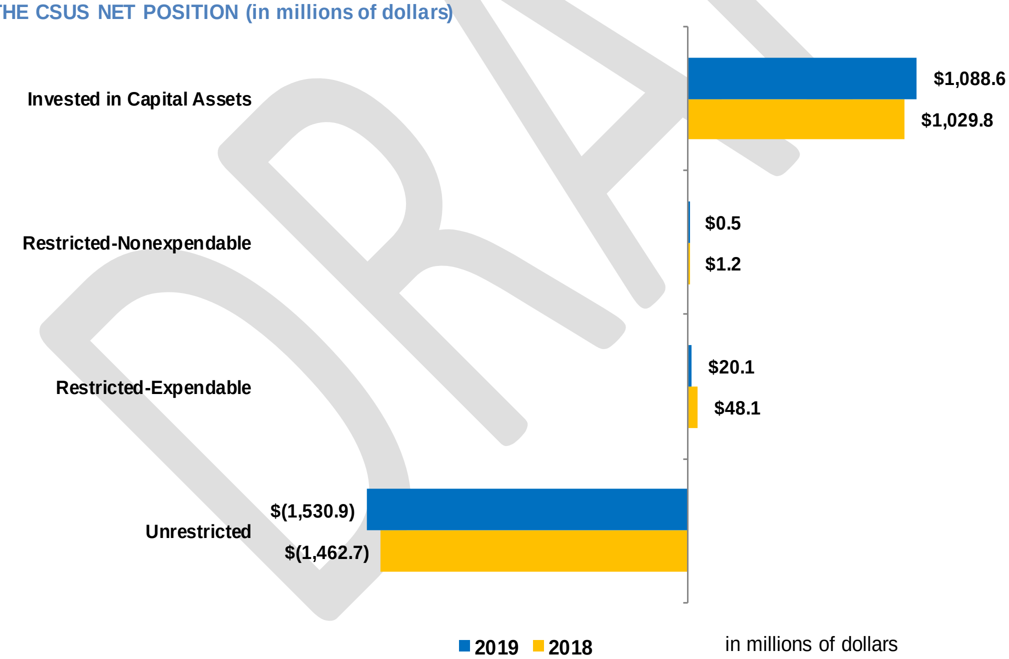
*Current liabilities* at June 30, 2019 of $145.7 million increased by $0.2 million, remaining relatively comparable to the prior fiscal year end.

*Non-current liabilities* at June 30, 2019 of $2,294.9 million increased by $18.5 million. This is mainly due to an increase in bonds payable, net of $40.6 million and an increase in pension liability, net of $18.7 million, offset by a decrease in OPEB, net of $41.2 million. Pension liabilities represent the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability. Other post-employment benefits liability represents the System's proportionate share of the State's OPEB liability as a whole.

*Deferred inflows and outflows of resources* are related to future periods. This is primarily related to the impact of recognizing net pension and net OPEB liabilities and refunding of debt. For pension and OPEB net liabilities they reflect differences between projected and actual assumptions and earnings, changes in actuarial assumptions, changes in proportion and differences between contributions and proportionate share of contributions and employer contributions subsequent to the measurement date. The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources (loss) or deferred inflow of resources (gain).

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

THE CSUS NET POSITION (in millions of dollars)

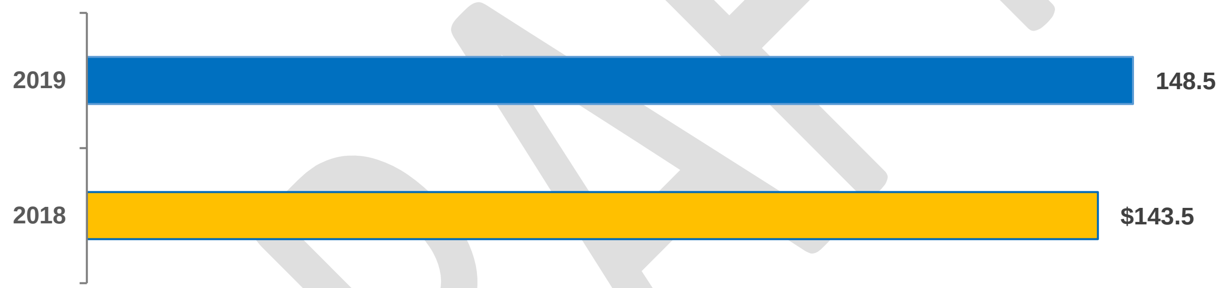



*Restricted net position* is divided into two classifications, expendable and nonexpendable. Restricted expendable net position is subject to externally imposed restrictions governing its use. In the System, restricted expendable net position primarily represents the residual balances of the System's unexpended grant funds. Restricted nonexpendable net position comprises the System's permanent funds such as the Endowment Fund. Most endowed funds are held with the individual institutions foundations for the benefit of the Universities.

*Unrestricted net position* (UNP) represents funds available to support CSUS activities and operations at the discretion of the Board of Regents, the President, and the University Presidents. Unrestricted net position is negative due to the System's share of the State's pension plan's net pension liability and OPEB. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the System's reserves are allocated for academic initiatives or programs and for capital and other purposes, including University fee receipts and parking fee receipts that have been designated by Universities to meet debt service obligations. Without reflecting the net pension liability and OPEB, unrestricted net position increased $5.0 million from 2018 to 2019. UNP adjusted for net pension liability beginning in FY 2014 and net OPEB liability beginning in FY 2017 is as follows:

| - | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 |
|---|---|---|---|---|---|---|
| UNP: | 145.1 | 115.1 | 136.8 | 143.1 | 143.5 | 148.5 |
| UNP Adjusted: | (382.4) | (370.5) | (361.6) | (1,411.9) | (1,462.7) | (1,530.9) |

**Unrestricted Net Position (less NPL) -** in millions of dollars




At fiscal year end June 30, 2019, the System had an investment in plant assets of $2,144.7 million, an increase of $68.6 million or 3.3% over fiscal year end 2018. This increase was primarily due to the increase in buildings and improvements. The increase in investment in plant assets reflects the System's continued commitment to provide its students with state-of-the-art buildings and equipment as more CSUS projects continue to be started and/or completed.

**Net Investment in Plant**
**June 30, 2019 and 2018**
**(in millions)**

| | 2019 | 2018 | % Change current year |
|---|---|---|---|
| Land | $ 19.9 | $ 19.9 | 0.0% |
| Buildings & improvements | 1,746.1 | 1,643.2 | 6.3% |
| Land improvements | 105.8 | 106.9 | -1.0% |
| Furniture, Fixtures & Equipment | 148.7 | 148.2 | 0.3% |
| Library books and materials | 26.6 | 56.1 | -52.6% |
| Construction in progress | 97.6 | 101.8 | -4.1% |
| Total investment in plant | 2,144.7 | 2,076.1 | 3.3% |
| Less accumulated depreciation | 919.9 | 896.6 | 2.6% |
| Investment in plant, net of depreciation | $ 1,224.8 | $ 1,179.5 | 3.8% |

In 1997, Governor John Rowland committed to support $320 million in general obligation bonding for capital projects and information technology equipment over a five-year period for CSUS. It was extended an additional five years in 2001. In November 2007, Governor Rell signed Public Act 07-7, "An Act Authorizing and Adjusting Bonds of the State for Capital Improvements and Transportation Infrastructure Improvements and Concerning the Connecticut State University Infrastructure Act" which authorized $80 million for CSUS capital projects. The total amount of allocations to CSUS between 1997 and 2017 were $710.7 million.

Public Act 07-7 also established a $950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four Connecticut State Universities. Effective July 1, 2008, this program, known as "CSUS 2020", provided the CSU's with additional flexibility in the allocation of bond funds, through the one-time allocation of $950 million, with allotments approved annually by the Governor. For fiscal year 2015 CSUS 2020 was renamed "CSCU 2020" with total funding increased to $1,053.5 million that included most of the Community College fiscal year 2015 funding and one project funded in fiscal year 2016. Subsequently, annual funding from the CSCU 2020 program has been deferred a number of times with the program extended into funding year 2021 with an additional $16 million in fiscal year 2019 provided for program escalation caused by funding deferrals. To date, the System has received $1,023.5 million of the total $1,069.5 million. Fiscal year 2021 is the final year of the CSCU 2020 program with the final $46 million schedule to be received. For Fiscal year 2019 $7 million of new bond funds were authorized, but remain unallocated, for the code compliance and infrastructure improvement program. No other new fiscal year 2020 bond funds have been legislatively authorized to date.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the twenty-fourth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Most recently, in May, 2019, Connecticut Health and Educational Facilities Authority ("CHEFA") Q series of bonds were issued totaling $76.9

million. Construction funds available from the Connecticut Health and Educational Facilities Authority ("CHEFA") revenue bond issues A - Q total $644.6 million.

Though this past year, university projects in the design phase are the new Business School at Southern Connecticut State University and an addition to Burritt Library at Central Connecticut State University. The Burritt Library project is the final CSCU 2020 named project of the program. Also at Southern, design is complete and bidding for construction is being concluded for the new Health and Human Services Building. Projects in construction are Barnard Hall renovations and the new Engineering Building, both at Central. Projects completed for occupancy over the past year are the new Kaiser Hall Annex at Central, Renovations to the Goddard Hall & Communications Buildings at Eastern Connecticut State University and renovations to Higgins Hall at Western Connecticut State University.

## Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents CSUS' results of operations, as well as the non-operating revenues and expenses.

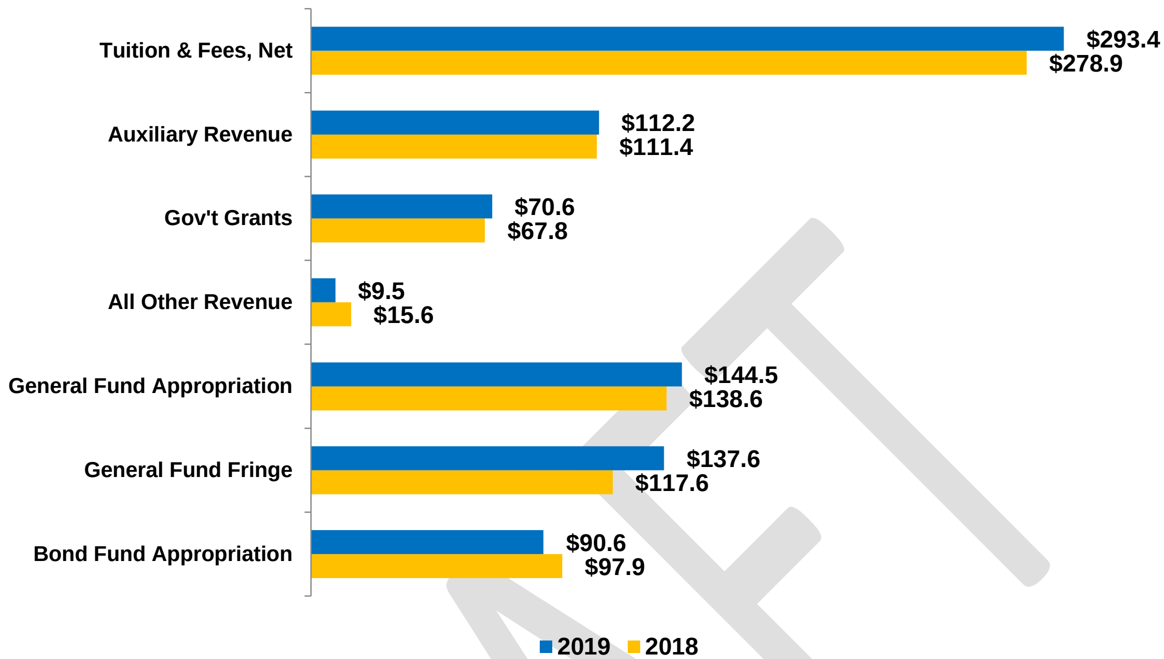
**Condensed Statements of Revenues, Expenses and Changes in Net Position**
**June 30, 2019 and 2018**
**(in millions)**

| | 2019 | 2018 | % Change |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Tuition and fees, net | $ 293.4 | $ 278.9 | 5.2% |
| Auxiliary revenues | 112.2 | 111.4 | 0.7% |
| Grants and indirect cost recoveries | 25.0 | 23.8 | 5.0% |
| Other | 7.9 | 20.2 | -60.9% |
| Total operating revenues | 438.5 | 434.3 | 1.0% |
| **OPERATING EXPENSES** | | | |
| Expenses before depreciation and amortization | 831.2 | 787.4 | 5.6% |
| Depreciation and amortization | 65.3 | 66.3 | -1.5% |
| Total operating expenses | 896.5 | 853.7 | 5.0% |
| Operating loss | (458.0) | (419.4) | 9.2% |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| State appropriations - general fund | 282.1 | 256.2 | 10.1% |
| State appropriations - bond fund | 90.6 | 97.9 | -7.5% |
| PELL grant revenue | 45.6 | 44.0 | 3.6% |
| Investment income | 11.4 | 6.4 | 78.1% |
| Other | (9.8) | (11.0) | -10.9% |
| Total non-operating revenues (expenses) | 419.9 | 393.5 | 6.7% |
| **NET POSITION** | | | |
| Change in net position | (38.1) | (25.9) | 47.1% |
| Net position, beginning of year | (383.6) | (357.7) | 7.2% |
| Net position, end of year | $ (421.7) | $ (383.6) | 9.9% |

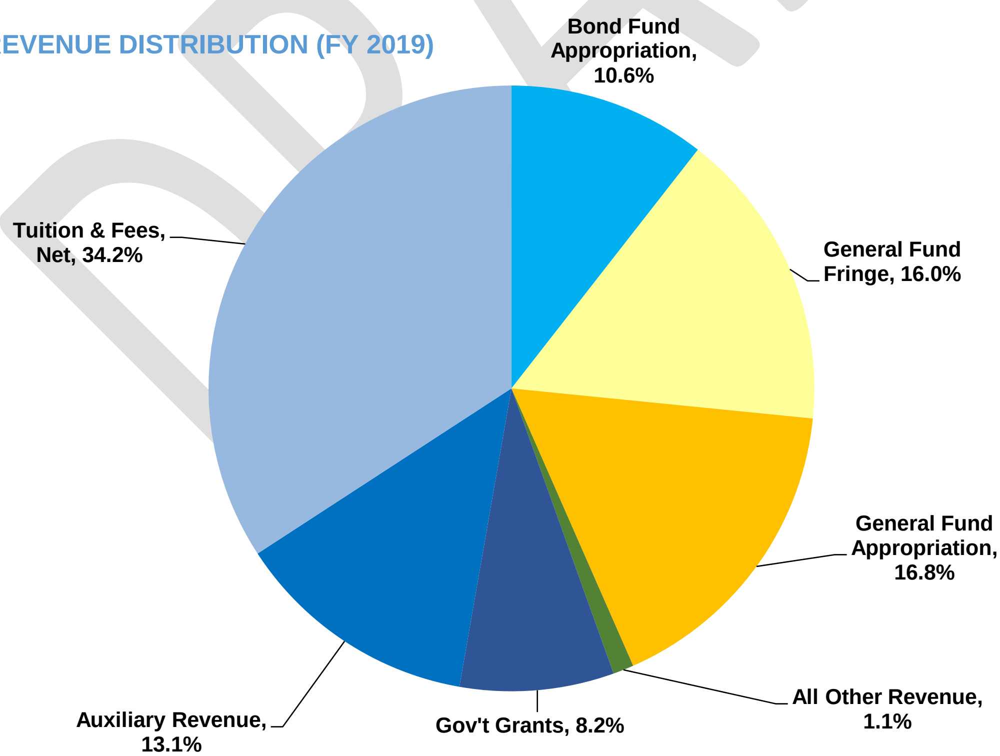
In fiscal year 2019, state appropriations of $372.7 million, representing 43.4% of the System's total net revenues, were $18.6 million or 5.3% higher than fiscal year 2018. State appropriations are received for both operating and capital purposes. The majority of the State appropriation dollars for operating purposes are used to fund salaries and fringe benefits. Approximately 46.8% of the System's fiscal year 2019 salary and fringe benefit costs were funded from State appropriations. This compares to 45.5% in fiscal year 2018.

CSCU

## REVENUE SUMMARY (in millions of dollars)

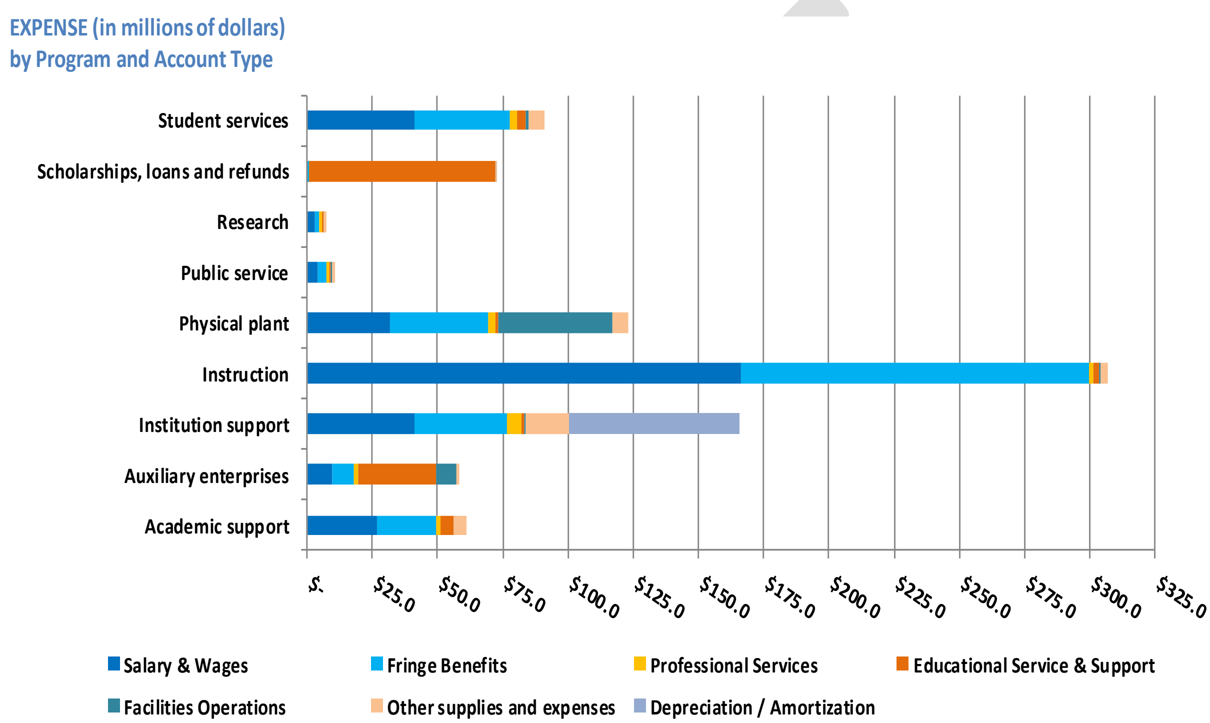


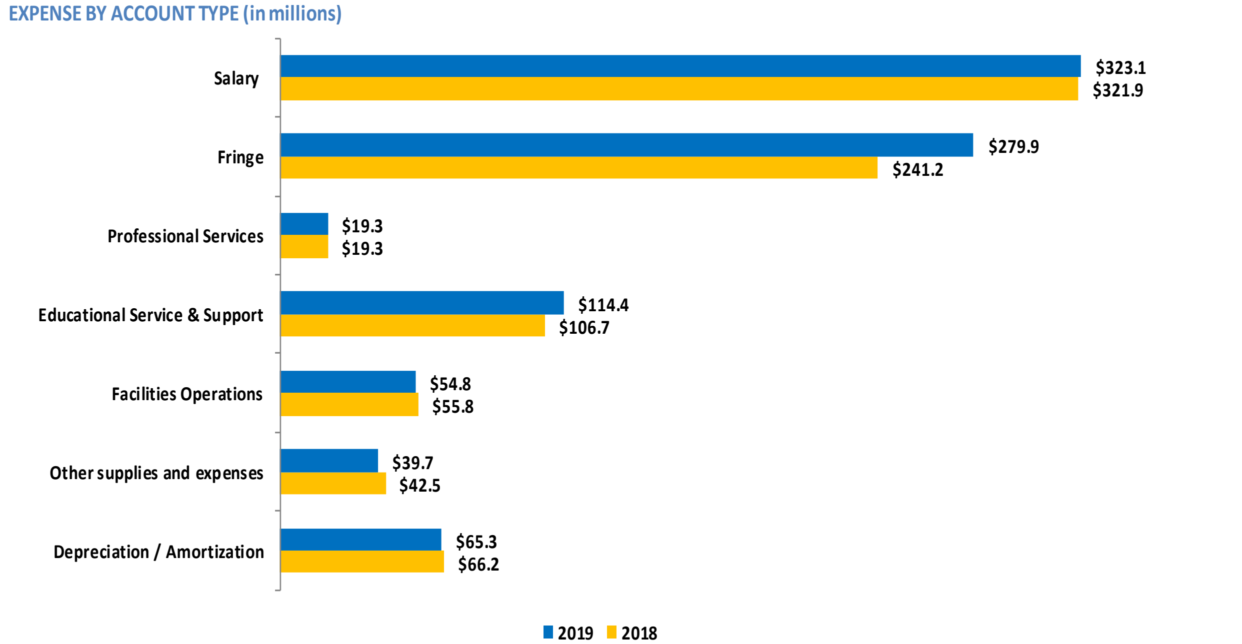

## REVENUE DISTRIBUTION (FY 2019)



In fiscal 2019, total operating expenses less depreciation and amortization of $831.2 million decreased by $43.8 million or 5.6% from the prior fiscal year. The primary cause of the decrease was related to a decrease in fringe benefits of $38.6 million and a decrease in educational services and support costs of $7.7 million.

Note 11 to the financial statements details operating expenses by function. The following graph illustrates operating expenses by program & account type.






## Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. The System's net change in cash and cash equivalents at June 30, 2018 increased $14.2 million or 4.0%. This increase was primarily driven by increased tuition and fee revenue related to a 4.0% increase in tuition and fees and a decrease in operating expenses as a result of budget tightening measures.

| **Condensed Statement of Cash Flows<br>June 30, 2018 and 2017<br>(in millions)** | | | |
|---|---|---|---|
| | **2018** | **2017** | **% Change** |
| **NET CASH PROVIDED BY (USED IN)** | | | |
| Operating activities | $ (288.1) | $ (297.0) | -3.0% |
| Non-Capital financing activities | 292.5 | 321.2 | -8.9% |
| Capital & related financing activities | (9.4) | 31.2 | -130.1% |
| Investing activities | 19.2 | (42.9) | 144.8% |
| Net change in cash and cash equivalents | 14.2 | 12.5 | 13.6% |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents, beginning of year | 353.9 | 341.4 | 3.7% |
| Cash and cash equivalents, end of year | $ 368.1 | $ 353.9 | 4.0% |

## Economic Outlook

As Connecticut enters a second decade of slow economic expansion, the fiscal and economic outlook for CSUS is mixed and uncertain. Enrollment is declining due to demographics – fewer graduating high school students – and intense competition regionally and nationally in the higher education sector. Unfortunately, state support for the CSU system has not been able to make up for struggling tuition revenues due to the State's fiscal position and pressing need to address unfunded pension liabilities. As a result of these factors, the CSU institutions have worked to reduce spending where possible in order to avoid or minimize use of reserves.

The higher education sector is facing a reckoning nationally around affordability, with student debt spiraling and the price of college rising well beyond the rate of inflation at many schools. The CSUS institutions are well positioned in this regard, with the lowest cost for four-year institutions in the state. Nevertheless, competition for individual students, pressure from the state's new PACT program offering free community college tuition for some students, and efforts by the University of Connecticut to highlight their own affordability initiative may diminish the historical affordability advantage of the CSUs. It remains critical for the CSU institutions to continually improve the value of their offerings.

The CSCU Students First plan, which most significantly impacts the Community College system, also includes several important cost savings initiatives touching the universities. Shared services are being established or improved, creating opportunities for administrative savings in areas such as financial management, purchasing, and facilities. Improving articulation with the community colleges also offers considerable benefit to the universities, providing enrollment growth and value for students.

The following table indicates historical enrollment of undergraduate and graduate students for the 2014-2015 through 2018-2019 academic years. Also indicated is full-time equivalent student enrollment.

Fall Headcount Enrollment and Full Time Equivalent

| Year Ending June 30 | Undergraduate | % Change | Graduate | % Change | TOTAL | % Change | Full Time Equivalent | % Change |
|---|---|---|---|---|---|---|---|---|
| 2019 | 27,709 | 0.17% | 5,013 | -6.68% | 32,722 | -0.94% | 27,101 | -0.73% |
| 2018 | 27,661 | -0.69% | 5,372 | 0.71% | 33,033 | -0.46% | 27,301 | 0.14% |
| 2017 | 27,853 | -2.04% | 5,334 | 2.34% | 33,187 | -1.36% | 27,263 | -0.75% |
| 2016 | 28,434 | -0.53% | 5,212 | -5.51% | 33,646 | -1.33% | 27,470 | -0.95% |
| 2015 | 28,585 | -0.40% | 5,516 | 2.85% | 34,101 | 0.11% | 27,734 | -0.70% |

Enrollment in the last few years has remained relatively flat due to the continued decline in Connecticut high school graduates. The CSUS are regularly refreshing academic programs and curricula to remain current and relevant to the needs of Connecticut and the interests of the students.

The table below shows the total of new full-time freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of academic years 2015 through 2019.

| Fall Semester First-Time Full-Time Student Admissions | | | | | |
|---|---|---|---|---|---|
| Year Ending June 30 | Number of Applicants | Percent Accepted | Number Accepted | Percent Enrolled | Number Enrolled |
| 2019 | 28,154 | 68.30% | 19,228 | 24.96% | 4,800 |
| 2018 | 27,806 | 66.98% | 18,626 | 24.24% | 4,515 |
| 2017 | 27,691 | 62.18% | 17,219 | 26.00% | 4,477 |
| 2016 | 27,321 | 61.18% | 16,715 | 26.24% | 4,386 |
| 2015 | 21,233 | 62.96% | 13,369 | 31.96% | 4,273 |

The CSUS continue to see successful recruitment of first-time freshmen which has increased slightly over the past three years, in spite of fewer high school graduates in the state. The CSUS continue to work through strategies to enhance enrollment, including both Connecticut residents and out-of-state students, in order to counteract the impact of declining Connecticut high school graduates.

During fiscal year 2020, plans include completion of the design and the beginning of construction for a new Health & Human Service Facility (SCSU) and new Engineering classroom building (CCSU). Projects currently in construction and will be complete during fiscal year 2020 are the new Kaiser Sports Center Annex (CCSU), Goddard Hall/Communications Building renovations (ECSU) and the CHEFA funded Shaffer Hall Renovations.

## Additional Information

This financial report is designed to provide a general overview of CSUS'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 the CSCU Chief Financial Officer, Connecticut State Colleges & Universities (860-723-0251). University specific questions may also be directed to the Vice President for Finance at each individual University.

Hold for Independent Auditors Report

Hold for Independent Auditors Report

Hold for Independent Auditors Report

| | 2019 |
|---|---|
| **Assets** | |
| Current assets | |
| Cash and cash equivalents (Notes 2 and 6) | $ 213,951,794 |
| Investments (Note 2) | 121,196,238 |
| Accounts receivable, net | 10,882,233 |
| Due from the State of Connecticut (Note 6) | 66,116,244 |
| Prepaid expenses and other current assets | 8,788,484 |
| Total current assets | 420,934,993 |
| Noncurrent assets | |
| Cash and cash equivalents (Notes 2 and 6) | 143,875,419 |
| Investments (Note 2) | 33,196,032 |
| Accounts receivable, net (Note 3) | 5,524,343 |
| Other assets | 200,215 |
| Investment in plant, net of accumulated depreciation (Note 4) | 1,224,860,764 |
| Total noncurrent assets | 1,407,656,773 |
| Total assets | $ 1,828,591,766 |
| **Deferred outflows of resources** | |
| Deferred pension (Note 13) | $ 267,668,475 |
| Deferred other post employment benefits (Note 13) | 52,286,937 |
| Deferred loss on bond refunding | 995,577 |
| Total deferred outflows of resources | $ 320,950,989 |



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

| | 2019 |
|---|---|
| **Liabilities** | |
| Current liabilities | |
| Accounts payable | $ 22,752,253 |
| Accrued salaries and benefits | 60,948,741 |
| Accrued compensated absences (Note 5) | 4,492,445 |
| Due to the State of Connecticut | 4,825,126 |
| Unearned tuition, fees and grant revenue (Note 10) | 22,737,074 |
| Bonds payable (Note 12) | 19,520,000 |
| Accrued bond interest payable | 2,355,106 |
| Other liabilities | 2,827,365 |
| Depository accounts | 5,304,874 |
| Total current liabilities | 145,762,984 |
| Noncurrent liabilities | |
| Accrued compensated absences (Note 5) | 60,463,728 |
| Bonds payable (Note 12) | 356,230,676 |
| Federal loan program advances | 9,107,511 |
| Deferred compensation | 288,357 |
| Pension liability, net (Note 8) | 907,005,570 |
| Other post employment benefits, net (Note 9) | 961,772,722 |
| Total noncurrent liabilities | 2,294,868,564 |
| Total liabilities | $ 2,440,631,548 |
| **Deferred inflows of resources** | |
| Deferred pension (Note 13) | $ 30,128,242 |
| Deferred other post employment benefits (Note 13) | 100,438,398 |
| Total deferred inflows of resources | $ 130,566,640 |
| **Net Position** | |
| Invested in capital assets, net of related debt | $ 1,088,689,197 |
| Restricted | |
| Nonexpendable | 467,116 |
| Expendable | 20,092,015 |
| Unrestricted | (1,530,903,761) |
| Total net position | $ (421,655,433) |

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

# Connecticut State University System

Combined Statements of Financial Position – Component Units

June 30, 2019

CSCU

| | | 2019 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 5,005,679 |
| Investments | | 150,137,311 |
| Contributions and other receivables | | 5,194,886 |
| Prepaid expenses and other assets | | 191,475 |
| Beneficial interest in trusts | | 644,129 |
| Investment in plant, net | | 3,810,775 |
| **Total Assets** | $ | 164,984,255 |
| **Liabilities** | | |
| Accounts payable and accrued expenses | | 681,985 |
| Other liabilities | | 576,750 |
| Total liabilities | | 1,258,735 |
| **Net Assets** | | |
| Without donor restrictions | | 6,621,619 |
| With donor restrictions | | 157,103,901 |
| Total net assets | | 163,725,520 |
| **Total Liabilities and Net Assets** | $ | 164,984,255 |

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

# Connecticut State University System

CSCU

Statements of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2019

| | 2019 |
|---|---|
| Operating revenues | |
| Tuition and fees | |
| Tuition and fees (Note 1) | $ 348,786,879 |
| Less | |
| Scholarships allowance | (35,931,115) |
| Waivers | (19,497,670) |
| Tuition and fees, net of scholarship allowances and waivers | 293,358,094 |
| Federal grants and contracts | 7,633,521 |
| State and local grants and contracts | 10,490,974 |
| Nongovernment grants and contracts | 6,184,590 |
| Indirect cost recoveries | 698,086 |
| Auxiliary revenues (Note 1) | 112,247,344 |
| Other operating revenues | 7,867,262 |
| Total operating revenues | 438,479,871 |
| Operating expenses (Note 11) | |
| Salaries and wages | 323,090,807 |
| Fringe benefits | 279,875,673 |
| Professional services and fees | 19,330,953 |
| Educational services and support | 114,436,008 |
| Travel expenses | 6,922,974 |
| Operation of facilities | 54,788,955 |
| Other operating supplies and expenses | 32,743,332 |
| Depreciation expense | 65,269,441 |
| Amortization expense | 55,968 |
| Total operating expenses | 896,514,111 |
| Operating loss | (458,034,240) |
| Nonoperating revenues (expenses) | |
| State appropriations | 282,099,732 |
| Pell grant revenue | 45,614,221 |
| Gifts | 4,459,676 |
| Investment income | 11,391,387 |
| Interest expense | (11,456,038) |
| Other nonoperating revenues, net | 1,899,919 |
| Net nonoperating revenues (expenses) | 334,008,897 |
| Loss before other changes in net position | (124,025,343) |
| Other changes in net position | |
| State appropriations restricted for capital purposes | 90,621,849 |
| Loss on disposal of capital assets | (4,670,724) |
| Other changes in net position | 85,951,125 |
| Change in net position | (38,074,218) |
| Net position at beginning of year | (383,581,215) |
| Net position at end of year | $ (421,655,433) |

CSCU

| | Without Donor Restrictions | With Donor Restrictions | 2019 Total |
|---|---|---|---|
| **Revenues, gains and other support** | | | |
| Contributions | $ 3,335,819 | $ 10,390,516 | $ 13,726,335 |
| Program income | 74,857 | 391,224 | 466,081 |
| Investment income, net | 559,627 | 7,277,444 | 7,837,071 |
| Other income | 100,685 | - | 100,685 |
| Loss on disposal of asset | (150,000) | | (150,000) |
| Net assets released from restrictions | 9,464,023 | (9,464,023) | - |
| Total revenues, gains and other support | 13,385,011 | 8,595,161 | 21,980,172 |
| **Operating expenses** | | | |
| Program services | 11,012,081 | - | 11,012,081 |
| Management and general | 1,486,110 | - | 1,486,110 |
| Fundraising | 1,083,494 | - | 1,083,494 |
| Total operating expenses | 13,581,685 | - | 13,581,685 |
| Transfers between funds | 912,433 | (912,433) | - |
| Changes in net assets | 715,759 | 7,682,728 | 8,398,487 |
| Net assets | | | |
| Beginning of year | 5,905,860 | 149,421,173 | 155,327,033 |
| End of year | $ 6,621,619 | $ 157,103,901 | $ 163,725,520 |

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

# Connecticut State University System

Statements of Cash Flows

Year Ended June 30, 2019

CSCU

| | 2018 |
|---|---|
| **Cash flows from operating activities** | |
| Tuition and fees | $ 277,536,058 |
| Grants and contracts | 22,897,700 |
| Auxiliary revenues | 110,512,033 |
| Other operating revenues | 25,473,355 |
| Payments to employees for salaries and benefits | (496,806,748) |
| Payments to suppliers | (9,455,875) |
| Professional services and fees | (19,324,944) |
| Educational services and support | (106,694,460) |
| Travel expenses | (6,623,020) |
| Operation of facilities | (57,374,880) |
| Other operating supplies and expenses | (28,231,010) |
| Net cash used in operating activities | (288,091,791) |
| **Cash flows from noncapital financing activities** | |
| State appropriations | 242,608,410 |
| Gifts for other than capital purposes | 3,793,724 |
| Nonoperating grants and revenue other | 46,073,271 |
| Net cash provided by noncapital financing activities | 292,475,405 |
| **Cash flows from investing activities** | |
| Proceeds from sales and maturities of investments | 45,230,773 |
| Purchases of investments | (32,269,643) |
| Interest and dividends received on investments | 6,224,354 |
| Net cash provided by investing activities | 19,185,484 |
| **Cash flows from capital and related financing activities** | |
| Cash paid for capital assets | (74,008,048) |
| State capital appropriations received | 98,615,747 |
| Repayments of capital debt and leases | (20,055,000) |
| Interest paid on capital debt and leases | (13,943,238) |
| Net cash used in capital and related financing activities | (9,390,539) |
| Net increase in cash and cash equivalents | 14,178,559 |
| Cash and cash equivalents, beginning of year | 353,886,186 |
| Cash and cash equivalents, end of year | $ 368,064,745 |

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

| | 2018 |
|---|---|
| **Reconciliation of operating loss to net cash used in operating activities** | |
| Operating loss | $ (419,370,917) |
| Adjustments to reconcile operating loss to net cash used in operating activities | |
| Depreciation expense | 66,193,622 |
| Amortization | 81,059 |
| Changes in assets and liabilities: | |
| Receivables | 2,166,630 |
| Prepaid expenses and other | 180,440 |
| Accounts payable | (177,866) |
| Accrued salaries and benefits | 12,071,167 |
| Other liabilities | (1,229,432) |
| Due to/from the State of Connecticut | 1,725,988 |
| Unearned tuition, fees and grant revenues | (2,645,031) |
| Deferred compensation | 50,000 |
| Depository accounts | 426,421 |
| Accrued compensated absences | 1,140,206 |
| Pension Liability | (96,696,186) |
| Other post employment benefits | (18,268,659) |
| Changes in deferred outflows and inflows of resources | |
| Deferred pension contribution | 108,758,210 |
| Deferred other post employment benefit outflows | (10,803,330) |
| Deferred pension asset gains | 17,973,592 |
| Deferred other post employment benefit inflows | 50,332,295 |
| Net cash used in operating activities | $ (288,091,791) |
| **Noncash financing activity** | |
| Fixed assets included in accounts payable | $ 2,777,474 |
| **Reconciliation of cash and cash equivalents to the combined statements of net position** | |
| Cash and cash equivalents classified as current assets | $ 219,593,668 |
| Cash and cash equivalents classified as noncurrent assets | 148,471,077 |
| | $ 368,064,745 |



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

CSCU

## 1. Summary of Significant Accounting Policies

### Organization

The Connecticut State Colleges and Universities System ("CSCU") was established by the State of Connecticut (the "State") in 2011 via Public Act 11-48 as amended by Public Act 11-61. This brought together the governance structure for the Connecticut State University System ("CSUS"), the Connecticut Community College System ("CCC") and Charter Oak State College ("COSC") under the newly formed Board of Regents (BOR) for Higher Education. The financial statements presented herein represent only the financial activities of CSUS. Separate financial statements are issued for CCC and COSC.

CSCU consists of seventeen separate institutions including four state universities, twelve community colleges and Charter Oak State College. The CSCU system offers associate degrees, baccalaureate, graduate and certificate programs, applied doctoral degree programs in education as well as short-term certificates and individual coursework in both credit and noncredit programs.

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

### Basis of Presentation

The financial statements for the CSUS institutions 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 (GAAP), as prescribed by the Government Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. These financial statements include the statements of CSUS institutions (the System) which include, Central Connecticut State University (CCSU), Eastern Connecticut State University (ECSU), Southern Connecticut State University (SCSU), Western Connecticut State University (WCSU), and System Office (SO) and their aggregate discretely presented component units (primarily the foundations that support the four universities).

CSUS's financial statements include three statements: the statements of net position, the statements of revenues, expenses, and changes in net position and the statements of cash flows.

- The statements of net position present information on all of the system's assets, liabilities, deferred outflows and inflows, and net position.
- The statements of revenues, expenses and changes in net position present information showing how the incumbent system's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported

in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).

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

Several legally separate, tax-exempt, affiliated organizations (the "Foundations") must be considered component units of the CSUS and are presented discretely in these financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the Universities in support of their programs. Although the Universities do not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the Universities by the donors**.** Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the Universities, the Foundations are considered component units of CSUS primary institutions.

The Foundations are private nonprofit organizations that report under FASB standards, which include guidelines for *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The disclosures included in the financial statements address only the Universities and not the related Foundations. No modifications have been made to the Foundation's financial information in CSUS's financial reporting entity for these differences.

**Net Position**

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

- **Invested in Capital Assets, Net of Related Debt**

  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Similar net assets are included in unrestricted net assets in the statements of the component units.

- **Restricted Nonexpendable**

  Net position subject to externally imposed stipulations that they be maintained in perpetuity by CSUS. Similar net assets are referred to as permanently restricted net assets in the statements of the component units.

- **Restricted Expendable**

  Net position whose use by CSUS is subject to externally imposed stipulations that can be fulfilled by actions of CSUS pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.

- **Unrestricted**

  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the BOR or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic and research programs and initiatives, and capital programs.

**Classification of Assets and Liabilities**

CSUS presents short-term and long-term assets and liabilities in the statements of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from the reporting date. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from the reporting date. Cash and cash equivalents and investments presented as short-term in the statements of net position include balances with a maturity of one year or less from the reporting date. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from the reporting date and balances that have externally imposed restrictions as to use.

**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 CSUS by the State Treasurer and has original maturities of three months or less (see Notes 2 and 6). CSUS has long-term investments which include debt service reserve funds which are restricted for purposes in accordance with CHEFA regulations. Interest income is recognized on the accrual basis.

The largest inflow of cash related to non-capital financing is State appropriations and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. The appropriation is treated as a cash equivalent for accounting and reporting purposes, and is included in the cash flow statement.

**Fair Value of Financial Instruments**

Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits. Investments are carried at fair value, based upon quoted market prices.

**Investment in Plant**

Capital assets of the primary institutions are stated at historical cost or, in the case of donated property, at acquisition value at the date of the gift. Land, capitalized collections, and construction in progress are not depreciated. Construction period interest costs in excess of earnings associated with related unspent debt proceeds are capitalized as a component of the fixed asset. 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 as follows:

| Asset Class Description | Useful Life |
|---|---|
| Buildings | 40 years |
| Site & Building Improvements | 20 years |
| Technology | 5 years |
| Library Materials | 10 years |
| Vehicles | 10 years |
| Software | 5 years |
| Non-Collectible Artwork | 10 years |
| Other Equipment | 10 years |

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Division of Construction Services of the State of Connecticut ("DCS"). The cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Colleges and Universities when eligibility requirements are met. There were no such projects recognized at CSUS for the fiscal year ended June 30, 2019.

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

**Interest Capitalization**

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of $8.9 million in the fiscal year ended June 30, 2019 and capitalized $0.8 million of that amount. The cumulative capitalized interest was $27.5 million as of June 30, 2019 and is being amortized over 35 years, and the cumulative capitalized interest net of amortization is $21.2 million. Amortization of capitalized interest for the year ended June 30, 2019 was $0.8 million.

**Accrued Compensated Absences (ACA)**

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

**Pension & Other Post Employment Obligations**

The System records pension and other post-employment benefit obligations equal to the net liability for its defined benefit and retiree health plans. These net liabilities are measured as the total pension and health liability, less the amount of the respective plan's fiduciary net position. The total liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Because there are other state entities participating in the plans, the net liability recorded by CSUS is based on an allocation of the total net liability, as determined by an independent actuary.

Pension and other post-employment benefit expenses are recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows of resources and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

In June 2015 GASB released Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. The adoption of this accounting pronouncement occurred in fiscal year 2018 and was retroactively recorded. Refer to Note 9 for additional details related to Other Post-Employment Benefits.

**Unearned Tuition, Fees and Grant Revenues**
Unearned tuition, fees and grant revenues consist primarily of tuition and fees that have been collected but are applicable to the summer and fall sessions held subsequent to the reporting date. Charges related to these sessions are reported in the period the tuition and fees are recognized as income.

**Tuition and Fees Revenue**
Student tuition and fees revenue is recognized in the period earned net of scholarship allowance and waivers. Student aid for scholarships recorded in the statement of revenues, expenses and changes in net position includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees, housing charges and dining services is reflected as a scholarship allowance.

**Auxiliary Revenues**
Auxiliary revenues consist of housing charges, dining services, fees for health and injury insurance coverage and telecommunication charges. The auxiliary revenues are recognized in the period earned.

**Operating Activities**
Operating activities as reported in the statement of revenues, expenses and changes in net position 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 CSCU expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, Pell, gifts and investment income.

**Income Taxes**
CSUS is a component unit of the State of Connecticut and is exempt from federal and state income taxes under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. CSUS qualifies as a public charity eligible to receive charitable contributions under Section 170(b)(1)(A)(ii) of the Internal Revenue Code, as amended (the Code).

**Use of 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 the amounts reported in the financial statements and accompanying notes and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, pension and other post-employment benefit liabilities, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

**GASB Pronouncements Effective for Fiscal Year 2019**

In November 2016, GASB released Statement No. 83, *Certain Asset Retirement Obligations.* The objective of this statement is to address accounting for legally enforceable liabilities associated with the retirement and future activities of a capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 with earlier application encouraged. This standard was adopted in fiscal year 2019 and there was no impact as a result of the adoption.

**GASB Pronouncements Effective in Future Fiscal Years**

In January 2017, GASB released Statement No. 84, *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged

In April 2018, GASB released Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In June 2018, GASB released Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged.

In August 2018, GASB released Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a holding of the equity interest meets the definition of an investment. This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In 2019, GASB released Statements 91. The requirements of these statements are effective for future reporting periods and management is evaluating the impact these pronouncements will have.

**Subsequent Events**
In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2019, through January XX, 2020, the date the financial statements were issued and no items needing to be reported were noted.

## 2. Cash, Cash Equivalents and Investments

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

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2019 was 2.42%.

Cash, cash equivalents and investments at June 30 are as follows:

| | 2019 | |
|---|---|---|
| | Cost | Fair value |
| Cash and cash equivalents | $ 357,827,213 | $ 357,827,213 |
| U.S. Mutual Funds- Governmental | 139,826,971 | 139,826,971 |
| Guaranteed Investment Contracts | 14,565,299 | 14,565,299 |
| | $ 512,219,483 | $ 512,219,483 |

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

*Credit Risk* – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSUS is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSUS's guaranteed investment contracts was AA-, as rated by Standard & Poor's Ratings as of June 30, 2019.

*Custodial Credit Risk* – At June 30, 2019, the carrying amount of CSUS's bank deposits was $4.3 million as compared to bank balances of $6.0 million. The difference between the carrying amount and bank balances was primarily caused by outstanding checks and deposits in transit. Of such bank balances, $5.2 million was uninsured and uncollateralized and therefore subject to custodial credit risk as of June 30, 2019.

*Concentration of Credit Risk* – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. 69% of CSUS total cash, cash equivalents and investments was invested in the STIF and the State's pooled interest credit program accounts as of June 30, 2019.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Interest rate risk is managed by establishing targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through target allocations to different asset classes.

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

| | **2019** Investment Maturities (in years) | | | | |
|---|---|---|---|---|---|
| Debt Securities | Fair Value | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| U.S. Government obligations | $ 139,826,971 | $ 139,826,971 | $ - | $ - | $ - |
| Guaranteed Investment Contracts | 14,565,299 | 1 | 14,565,288 | 1 | 9 |
| | $ 154,392,270 | $ 139,826,972 | $ 14,565,288 | $ 1 | $ 9 |

GASB No. 72, "*Fair Value measurements and Application*" sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB No. 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CSUS has the ability to access.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly and include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement. Unobservable inputs are developed based on the best information available in the circumstances and may include the CSUS's own data.

All of the investments held at June 30, 2019 are Level 1. There are no liabilities subject to the fair value provisions of GASB No. 72.

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## 3. Accounts Receivables

Receivables consisted of the following at June 30:

| | 2019 |
|---|---|
| Student accounts receivable | $ 13,502,705 |
| Student loans receivable | 10,178,523 |
| Grants receivable | 2,728,811 |
| Miscellaneous receivables | 969,624 |
| | 27,379,663 |
| Less allowance for doubtful accounts | (10,973,087) |
| Net accounts receivable | $ 16,406,576 |

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2019. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the CSUS for amounts cancelled under these provisions.

CSUS has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans was $3.5 million as of June 30, 2019. As management determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the US Department of Education.

## 4. Capital Assets

Capital assets for the Universities consist of the following at June 30:

| | Balance June 30, 2018 | Year ended June 30, 2019 Additions | Retirements and Transfers | Balance June 30, 2019 |
|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | |
| Land | $ 19,926,269 | $ - | $ - | $ 19,926,269 |
| Capitalized collections | 8,576,526 | 341,093 | (8,709) | 8,908,910 |
| Construction in progress | 101,763,008 | 94,750,518 | (98,933,084) | 97,580,442 |
| Total capital assets not being depreciated | $ 130,265,803 | $ 95,091,611 | $ (98,941,793) | $ 126,415,621 |
| **Other capital assets:** | | | | |
| Land improvements | $ 106,897,583 | $ 1,799,948 | $ (2,867,030) | $ 105,830,501 |
| Buildings and building improvements | 1,643,223,074 | 107,122,466 | (4,239,911) | 1,746,105,629 |
| Furniture, fixtures and equipment | 148,216,178 | 8,906,204 | (8,461,037) | 148,661,345 |
| Library materials | 47,565,066 | 270,601 | (30,104,391) | 17,731,276 |
| Total other capital assets | 1,945,901,901 | 118,099,219 | (45,672,369) | 2,018,328,751 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (71,201,803) | (4,124,206) | 3,551,128 | (71,774,881) |
| Buildings and building improvements | (679,755,950) | (49,053,895) | 3,711,320 | (725,098,525) |
| Furniture, fixtures and equipment | (109,517,764) | (10,604,919) | 8,216,555 | (111,906,128) |
| Library materials | (36,172,314) | (1,486,421) | 26,554,661 | (11,104,074) |
| Total accumulated depreciation | (896,647,831) | (65,269,441) | 42,033,664 | (919,883,608) |
| Other capital assets, net | $1,049,254,070 | $ 52,829,778 | $ (3,638,705) | $ 1,098,445,143 |
| **Capital asset summary:** | | | | |
| Capital assets not being depreciated | $ 130,265,803 | $ 95,091,611 | $ (98,941,793) | $ 126,415,621 |
| Other capital assets, at cost | 1,945,901,901 | 118,099,219 | (45,672,369) | 2,018,328,751 |
| Total cost of capital assets | 2,076,167,704 | 213,190,830 | (144,614,162) | 2,144,744,372 |
| Less accumulated depreciation | (896,647,831) | (65,269,441) | 42,033,664 | (919,883,608) |
| Capital assets, net | $1,179,519,873 | $147,921,389 | $ (102,580,498) | $ 1,224,860,764 |

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## 5. Accrued Compensated Absences

Accrued compensated absences as of June 30 include:

| | 2019 |
|---|---|
| Accrued vacation | $ 25,125,327 |
| Accrued sick leave | 24,761,929 |
| Other accrued fringe benefits | 15,068,917 |
| | 64,956,173 |
| Less: current portion | 4,492,445 |
| Noncurrent portion | $ 60,463,728 |

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

| | |
|---|---|
| **Balance as of June 30, 2018** | $ 64,548,628 |
| Additions in FY 2019 | 4,864,292 |
| Benefits paid to participants in FY 2019 | (4,456,747) |
| **Balance as of June 30, 2019** | $ 64,956,173 |

These accruals represent estimated amounts earned by all eligible employees through June 30, 2019 and 2018. These accrued compensated absences will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of compensated absences is estimated based on recent past history and is presented in today's dollars.

## 6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to another purpose within the State of Connecticut. CSUS made no transfers to the State of Connecticut during fiscal year 2019.

Accrued salaries and related fringe benefit costs for CSCU employees within CSUS, whose salaries will be charged to the State of Connecticut General Fund, represent a related party balance. CSUS has also recorded a receivable from the State of Connecticut related to allocated bond financing for capital projects when allotted by the Governor.

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

| | 2019 |
|---|---|
| Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund | $ 35,248,038 |
| State appropriations for capital projects | 30,868,206 |
| | $ 66,116,244 |

The accompanying statements of net position includes balances among related parties. Significant balances for the year ended June 30, were as follows:

| | | 2019 |
|---|---|---|
| Cash balances held with the State of Connecticut on behalf of the CSUS | $ | 266,282,389 |
| Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF) | | 87,240,139 |
| | $ | 353,522,528 |

## 7. Commitments and Contingencies

CSUS makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. CSUS is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of CSUS.

CSUS is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that the eventual liability, if any, will not have a material effect on CSUS's financial position.

CSUS had outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances at June 30, 2018 were as follows:

| | |
|---|---|
| System Office | $10,383,183 |
| Central Connecticut State University | 2,862,152 |
| Eastern Connecticut State University | 2,050,918 |
| Southern Connecticut State University | 2,390,902 |
| Western Connecticut State University | 5,145,746 |
| | $22,832,901 |

## 8. Pension Plans

*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 CSCU 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"). SERS provides retirement, disability, death benefits and 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 agreements between the State and the State Employee Bargaining Agent Coalition ("SEBAC") as authorized by the General Statutes. SERS does not issue standalone 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, and in annual actuarial valuations prepared by the State Retirement Commission.

Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, or TRS depending on several factors.

Employees hired after July 1, 2011 but before July 31, 2017 were eligible to participate in Tier III or the Hybrid Plan, the 2 primary SERS plan options available (some employees are eligible to elect the Teachers Retirement System - "TRS"). The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the "SEBAC", provides a retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a 5% employer match and 4% interest in lieu of a defined benefit.

Employees hired after July 1, 2017 are eligible to participate in Tier IV as a result of the 2017 SEBAC agreement. The SERS Tier IV plan is comprised of both a traditional Defined Benefit component and a new Defined Contribution component. The Tier IV Defined Benefit component provides a pre-defined monthly retirement income for life, with the amount being affected by years of service, retirement age, and the member's final average earnings for members that satisfy the Tier IV minimum age and service eligibility requirements. The Tier IV Defined Contribution component establishes an account consisting of an accumulation of employee and employer contributions both set equal to 1%, as well as investment gains or losses. Each Tier IV member will have an account with the third party administrator of the State of Connecticut Alternate Retirement Program (ARP). CSCU makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is a defined contribution plan managed by Prudential. Under this arrangement, plan participants contribute 6.5% of their pay or they can opt out and contribute 5% and the State contributes 6.5% to individual participants' investment accounts managed by Prudential. CSCU pays a fringe benefit charge to the State which includes the 7.5% employer contribution, employee health benefits and an administrative charge. The aforementioned 2011 SEBAC agreement provided CSCU employees who were both hired before July 1, 2011 and participating in ARP with a one-time irrevocable option through December 31, 2018 of electing to transfer their membership from ARP to the Hybrid Plan and purchasing credit in the Hybrid Plan for their prior services at full actuarial cost.

*Funding Policy*

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining.

Tier I Plan B regular and Plan B Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base, respectively, plus 5% above that level. Tier I Plan C and Hybrid Plan members are required to contribute 5% of their annual salary. Tier IIA Plan and Tier III Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. Tier IV employees contribute 5% of their salary (8% for hybrid and hazardous duty members) plus 1% into the defined contribution component.

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 64.30% for SERS and 41.84% for TRS for the fiscal years ended June 30, 2019. The State contributed $58.7 million and $1.2 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2019, equal to 99.9% and 100% of the required contributions that year.

*Net Pension Liability*
The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2019 was measured and valued as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the TRS plan, the CSUS's proportion was 0.09% as of June 30, 2019. For the SERS plan, the CSUS System's proportion was 4.19% as of June 30, 2019.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to the CSUS is calculated separately. The net pension liability for the CSUS as of June 30, 2019 for SERS and TRS was $876.0 million and $12.3 million, respectively.

*Actuarial Assumptions for SERS:*
The total pension liability was determined using the following actuarial assumptions, applied to all periods:

| **Measurement Year** | **2018** |
|---|---|
| Inflation | 2.50% |
| Salary increases including inflation | 3.50% to 19.50% |
| Investment rate of return net of pension plan investment expense, including inflation | 6.90% |

Mortality rates were based on the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females.

The actuarial assumptions used in the June 30, 2018 valuation (which was the basis for recording the June 30, 2019 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class as of the 2018 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equities | 21% | 5.8% |
| Developed Non-U.S. Equities | 18% | 6.6% |
| Emerging Market (Non-U.S.) | 9% | 8.3% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Fixed Income | 8% | 1.3% |
| High Yield Bonds | 5% | 3.9% |
| Emerging Market Bond | 4% | 3.7% |
| TIPS | 5% | 1.0% |
| Cash | 4% | 0.4% |
| | 100% | |

*Actuarial Assumptions for TRS:*
The total pension liability was determined using the following actuarial assumptions, applied to all periods:

| Measurement Year | 2018 |
|---|---|
| Inflation | 2.75% |
| Salary increases including inflation | 3.25% to 6.50% |
| Investment rate of return net of pension plan investment expense, including inflation | 8.00% |

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equities | 21% | 5.8% |
| Developed Non-U.S. Equities | 18% | 6.6% |
| Emerging Market (Non-U.S.) | 9% | 8.3% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Fixed Income | 7% | 1.3% |
| High Yield Bonds | 5% | 3.9% |
| Emerging Market Bond | 5% | 3.7% |
| Inflation Linked Bonds | 3% | 1.0% |
| Cash | 6% | 0.4% |
| | 100% | |

*Discount Rate for SERS:*

The discount rate used to measure the total pension liability was 6.9% in the 2018 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Discount Rate for TRS:*

The discount rate used to measure the total pension liability was 8.0% in the 2018 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of Net Pension Liability to Changes in Discount Rate*

The following table presents the current-period net pension liability of the CSU System calculated using the current-period discount rate assumption of 6.9% for SERS and 8.0% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands):

| | 1% Decrease (SERS -5.9%) (TRS - 7.0%) | Discount (SERS - 6.9%) (TRS - 8.0%) | 1% Increase (SERS - 7.9%) (TRS - 9.0%) |
|---|---|---|---|
| SERS | $ 1,052,933,671 | $ 882,364,851 | $ 740,043,792 |
| TRS | 31,303,967 | 24,769,362 | 19,243,241 |

*Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pension Plan*

For the year ended June 30, 2019, the CSUS recognized pension expense of $141.2 million. A schedule of deferred outflows and inflows of resources as of June 30, 2019 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to the CSUS that will be recognized in pension expense during the next five years is as follows (in thousands):

| | SERS | TRS | Total |
|---|---|---|---|
| 2020 | $ 72,033,557 | $ 2,668,138 | $ 74,701,695 |
| 2021 | 54,533,638 | 2,316,697 | 56,850,335 |
| 2022 | 27,112,042 | 1,734,674 | 28,846,716 |
| 2023 | (1,248,462) | 1,940,672 | 692,210 |
| 2024 | 478,403 | 1,531,034 | 2,009,437 |
| Thereafter | $ - | $ 464,498 | 464,498 |

## 9. Other Post-Employment Benefits

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

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

There is a single State sponsored defined benefit OPEB plan open to CSCU employees, the State Employee OPEB Plan (SEOPEBP). The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions.

*Plan Description*

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of CSCU who are receiving benefits from any State-sponsored retirement system. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

*Funding Policy*

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees' unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund outside of the CSCU entities. CSCU contributes and helps fund the annual appropriation based upon a designated fringe rate established by the State.

*Investments*

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the State's Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2019:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Large Cap U.S. Equities | 21% | 5.8% |
| Developed Non-U.S. Equities | 18% | 6.6% |
| Emerging Market (Non-U.S.) | 9% | 8.3% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Fixed Income | 8% | 1.3% |
| High Yield Bonds | 5% | 3.9% |
| Emerging Market Bond | 4% | 3.7% |
| Inflation Linked Bonds | 5% | 1.0% |
| Cash | 4% | 0.4% |
| | 100% | |

*Net OPEB Liability*

The Systems' net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2019 of $1,009.9 million was measured and valued as of June 30, 2018 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net OPEB liability was based on a projection of the System's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities and the State, actuarially determined.

For the SEOPEBP plan, at June 30, 2019 the System's proportion was 5.57%. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately. The net liability for the CSU System as of June 30, 2019 for SEOPEBP was $1,009.9 million.

*Actuarial Assumptions:*
The total OPEB liability was determined by actuarial valuations as of June 30, 2018, using the following actuarial assumptions:

| **Measurement Year** | **2018** |
|---|---|
| Payroll growth rate | 3.50% |
| Salary increases | 3.25% to 19.50% varying by years of service and retirement system |
| Discount rate | 3.95% as of June 30, 2018 and 3.68% as of June 30, 2017 |
| Healthcare cost trend rates: | |
| Medical | 6.5% graded to 4.5% over 4 years |
| Prescription drug | 8.0% graded to 4.5% over 7 years |
| Dental and Part B | 4.50% |
| Administrative expense | 3.00% |

Mortality rates for the State Employees OPEB Plan were based on the RP-2000 Healthy Annuitant Mortality Table for male rates projected 15 years (set back 2 years) and female rates projected 25 years (set back one year) under Scale AA.

The discount rate used to measure the total OPEB liability for SEOPEBP was 3.95%. The projection of cash flows used to determine the discount was performed in accordance with GASB pronouncements.

The following presents the current period net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate utilized:

| **Discount rate comparison:** | **1% Decrease (2.95%)** | **Current Discount (3.95%)** | **1% Increase (4.95%)** |
|---|---|---|---|
| Net OPEB Liability | $ 1,115,705,630 | $ 961,875,752 | $ 836,956,018 |
| **Health care trend rate comparison:** | **1% Decrease** | **Current Discount** | **1% Increase** |
| Net OPEB Liability | $ 819,295,275 | $ 961,875,749 | $ 1,142,545,824 |

*OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2019, the CSUS recognized OPEB expense of $54.7 million. A schedule of deferred outflows and inflows of resources as of June 30, 2019 is disclosed in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to the CSUS that will be recognized in pension expense during the next five years is as follows:

| | | OPEB | | Total |
|---|---|---|---|---|
| 2020 | $ | (24,248,880) | $ | (24,248,880) |
| 2021 | | (24,248,880) | | (24,248,880) |
| 2022 | | (24,248,993) | | (24,248,993) |
| 2023 | | (18,232,223) | | (18,232,223) |
| 2024 | | (5,956,549) | | (5,956,549) |
| Thereafter | $ | - | | - |

## 10. Unearned Tuition, Fees and Grant Revenue

Unearned tuition, fees and grant revenue consists of the following at June 30:

| | 2019 |
|---|---|
| Unearned tuition and fees | 21,031,240 |
| Grants and contracts | 1,663,655 |
| Other | 42,179 |
| | $ 22,737,074 |

## 11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

| | Year ended June 30, 2019 Natural Classification | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salaries and wages | Fringe benefits | Professional services and fees | Educational services and support | Travel expense | Operation of facilities | Other operating supplies and expenses | Depreciation expense | Amortization expense | Total |
| Academic support | $ 26,503,931 | $ 22,959,868 | $ 1,673,320 | $ 4,787,896 | $ 1,623,163 | $ 370,626 | $ 3,042,230 | $ - | $ - | $ 60,961,034 |
| Auxiliary enterprises | 9,391,266 | 8,723,054 | 1,535,630 | 29,913,452 | 71,423 | 7,854,823 | 1,079,585 | - | - | 58,569,233 |
| Institution support | 41,170,236 | 35,202,076 | 5,752,805 | 1,137,450 | 594,798 | 681,342 | 15,954,803 | - | - | 100,493,510 |
| Instruction | 166,007,959 | 133,392,317 | 1,855,075 | 2,548,803 | 913,581 | 521,165 | 1,819,694 | - | - | 307,058,594 |
| Physical plant | 31,485,202 | 37,995,965 | 2,904,478 | 840,793 | 79,598 | 43,613,039 | 6,386,499 | 65,269,441 | 55,968 | 188,630,983 |
| Public service | 4,173,240 | 3,077,914 | 1,285,968 | 607,129 | 641,226 | 404,635 | 499,906 | - | - | 10,690,018 |
| Research | 2,821,765 | 1,954,205 | 849,949 | 439,885 | 530,631 | 47,508 | 504,353 | - | - | 7,148,296 |
| Scholarships, loans and refunds | 475,980 | 80,717 | 313,651 | 71,077,034 | 5,275 | 675 | 72,426 | - | - | 72,025,758 |
| Student services | 41,061,228 | 36,489,557 | 3,160,077 | 3,083,566 | 2,463,279 | 1,295,142 | 3,383,836 | - | - | 90,936,685 |
| Total expenses | $ 323,090,807 | $ 279,875,673 | $ 19,330,953 | $ 114,436,008 | $ 6,922,974 | $ 54,788,955 | $ 32,743,332 | $ 65,269,441 | $ 55,968 | $ 896,514,111 |

**12. Bonds, Notes Payable and Capital Lease Obligations**

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities at CSCU. 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 CSCU and, accordingly, the State's debt obligation attributable to CSCU's educational and general facilities is not reported as CSCU debt in the accompanying financial statements.

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

| CHEFA Series | Issue Date | Issuance Amount | Mature in Years: | Interest Rates Varying From: | Outstanding Principal 2019 |
|---|---|---|---|---|---|
| I | 4/18/07 | $ 62,760,000 | 2008 - 2033 | 3.00% - 5.25% | $ 17,475,000 |
| J | 6/22/11 | 27,035,000 | 2012 - 2031 | 2.00% - 4.00% | 19,405,000 |
| K | 6/22/11 | 14,010,000 | 2012 - 2020 | 3.00% - 4.00% | 4,845,000 |
| L | 4/4/12 | 9,040,000 | 2012 - 2029 | 2.50% - 4.00% | 45,530,000 |
| M | 1/10/13 | 34,060,000 | 2014 - 2033 | 3.00% - 5.00% | 27,185,000 |
| N | 10/23/13 | 80,340,000 | 2015 - 2034 | 4.10% - 5.00% | 66,980,000 |
| O | 9/11/14 | 21,240,000 | 2015 - 2031 | 2.00% - 4.00% | 16,810,000 |
| P-1 | 9/13/16 | 55,030,000 | 2016 - 2036 | 2.50% - 5.00% | 51,525,000 |
| P-2 | 9/13/16 | 19,530,000 | 2016 - 2036 | 2.50% - 5.00% | 9,830,000 |
| Q-1 | 5/10/19 | 71,260,000 | 2020 - 2039 | 3.00% - 5.00% | 71,260,000 |
| Q-2 | 5/10/19 | 20,845,000 | 2020 - 2039 | 5.00% - 5.00% | 20,845,000 |
| | | | | | $ 351,690,000 |

Note: Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

In connection with the fiscal year 2019 refunding of portions of Series I, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statement of net position as of June 30, 2019. Assets held in the trust accounts had an aggregate fair value of $40.2 million at June 30, 2019. The outstanding amount of the refunded bonds totaled $40.2 million as of June 30, 2019. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $.9 million. The difference, which is recorded as a deferred loss on bond refunding, is being charged to interest expense over the remaining life, before the refunding, of the Series I bond. As a result of the defeasance, CSUS reduced its aggregate debt service payments by $7.6 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $3.8 million.

In connection with the fiscal year 2017 refunding of portions of Series G and H, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position as of June 30, 2017. Assets held in the trust accounts had an aggregate fair value of $19.6 million at June 30, 2017. The outstanding amount of the refunded bonds totaled $9.8 million at June 30, 2019. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.6 million. The difference, which is recorded as a deferred loss on bond refunding, is being charged to interest expense over the remaining life, before the refunding, of the Series H bond. As a result of the defeasance, CSUS reduced its aggregate debt service payments by $2.0 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $1.8 million.

In connection with the fiscal year 2015 refunding of portions of Series F and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $22.0 million at June 30, 2015. The outstanding amount of the refunded bonds totaled $17.8 million at June 30, 2019. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.8 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of the new bonds (Series O) using the straight-line method. As a result of the defeasance, CSUS reduced its aggregate debt service payments by $2.2 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $1.5 million.

In connection with the fiscal year 2012 refunding of portions of Series B and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $53.6 million at June 30, 2012. The outstanding amount of the refunded bonds totaled $45.9 million at June 30, 2019. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.5 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of defeasance, CSUS reduced its aggregate debt service payments by $8.6 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $4.2 million.

In connection with the fiscal year 2011 advance refunding of portions of Series E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds will be considered to be defeased and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair market value of $15.5 million at June 30, 2011. The outstanding amount of the refunded bonds totaled $5.1 million at June 30, 2019. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.5 million. The difference, which was recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of defeasance, CSUS reduced its aggregate debt service payments by $1.0 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of $0.9 million.

In connection with the fiscal year 2007 advance refunding of portions of Series D, E and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $63.8 million at June 30, 2007. The outstanding amount of these refunded bonds totaled $55.8 million at June 30, 2019. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.4 million. The difference, which was recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method.

In connection with the fiscal year 2005 advance refunding of portions of Series B, C, D and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate fair value of $52.8 million at June 30, 2005. The refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3.1 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled $5.0 million at June 30, 2019.

Revenue bond interest is payable to the bondholders on May 1 and November 1 of each year. Revenue bonds mature on November 1, in the years set forth below:

| Maturity | Principal | Interest |
|---|---|---|
| 2020 | $ 19,520,000 | $ 14,212,603 |
| 2021 | 18,345,000 | 13,438,431 |
| 2022 | 19,060,000 | 12,568,856 |
| 2023 | 19,710,000 | 11,678,506 |
| 2024 | 20,400,000 | 10,757,269 |
| 2025-2029 | 102,925,000 | 40,009,781 |
| 2030-2034 | 110,605,000 | 16,836,566 |
| 2035-2039 | 36,130,000 | 3,032,225 |
| 2040 | 4,995,000 | 156,094 |
| | $ 351,690,000 | $ 122,690,331 |

Long-term liabilities activity for the year ended June 30, 2019 was as follows:

| | Balance June 30, 2018 | Additions | Retirements | Balance June 30, 2019 |
|---|---|---|---|---|
| Bonds payable | $ 318,690,000 | $ 92,105,000 | $ (59,105,000) | $ 351,690,000 |
| Premium on bonds payable | 18,106,568 | 9,649,661 | (2,171,510) | 25,584,719 |
| Discount on bonds payable | (2,199,595) | (329,166) | 1,004,718 | (1,524,043) |
| Total bonds payable | $ 334,596,973 | 101,425,495 | $ (60,271,792) | $ 375,750,676 |

## 13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2019:

| As of June 30, 2019 | SERS | TRS | OPEB | Debt Refunding | Total |
|---|---|---|---|---|---|
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Difference between expected and actual experience | $ 31,144,275 | $ - | $ - | $ - | $ 31,144,275 |
| Changes of assumptions or other inputs | 96,143,563 | 2,329,817 | - | - | 98,473,380 |
| Net difference between projected and actual earnings on pension plan investements | - | 458,025 | - | - | 458,025 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 53,924,881 | 9,692,571 | 3,541,193 | - | 67,158,645 |
| Employer contributions after measurement date | 72,114,688 | 1,860,655 | 48,745,744 | - | 122,721,087 |
| Loss on bond refunding | - | - | - | 995,577 | 995,577 |
| **Total** | **$253,327,407** | **$ 14,341,068** | **$ 52,286,937** | **$ 995,577** | **$320,950,989** |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Difference between expected and actual experience | $ - | $ 1,022,554 | $ - | $ - | $ 1,022,554 |
| Changes of assumptions or other inputs | - | - | 50,819,798 | - | 50,819,798 |
| Net difference between projected and actual earnings on pension plan investements | 2,766,435 | - | 386,547 | - | 3,152,982 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 25,537,106 | 802,147 | 49,232,053 | - | 75,571,306 |
| **Total** | **$ 28,303,541** | **$ 1,824,701** | **$ 100,438,398** | **$ -** | **$130,566,640** |

# Connecticut State University System

## Supplemental Financial Information

June 30, 2019 - 2014

**Page**

CSCU

**State Employee Retirement System Plan**

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 [1] |
|---|---|---|---|---|---|---|
| System's proportion of the net pension liability | 4.19% | 3.81% | 4.23% | 3.96% | 3.61% | 3.12% |
| System's proportionate share of the net pension liability | $ 882,364,851 | $ 876,023,924 | $ 972,052,721 | $ 653,585,476 | $ 577,889,607 | $ 516,857,599 |
| System's covered-employee payroll | $ 175,778,524 | $ 144,700,282 | $ 152,194,773 | $ 154,782,123 | $ 140,369,452 | $ 119,305,259 |
| System's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 502% | 605% | 639% | 422% | 412% | 433% |
| Plan Fiduciary net position as a percentage of the total pension liability | 36.62% | 36.25% | 31.69% | 39.23% | 39.54% | N/A [1] |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

CSCU

**Teachers Retirement System Plan**

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 [1] |
|---|---|---|---|---|---|---|
| System's proportion of the net pension liability | 0.19% | 0.09% | 0.09% | 0.10% | 0.10% | 0.10% |
| System's proportionate share of the net pension liability | $ 24,769,362 | $ 12,309,255 | $ 12,986,359 | $ 10,523,910 | $ 9,727,277 | $ 10,728,942 |
| State's proportionate share of the net pension liability associated with the System | $ 24,769,425 | $ 12,986,445 | $ 12,986,447 | $ 10,523,916 | $ 9,714,654 | N/A [1] |
| Total | $ 49,538,787 | $ 25,295,700 | $ 25,972,806 | $ 21,047,826 | $ 19,441,931 | $ 10,728,942 |
| System's covered-employee payroll | $ 4,728,567 | $ 3,652,263 | $ 4,127,906 | $ 3,930,206 | $ 3,813,448 | $ 3,063,073 |
| System's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 524% | 337% | 315% | 268% | 255% | 350% |
| Plan Fiduciary net position as a percentage of the total pension liability | 57.69% | 55.93% | 52.26% | 59.50% | 61.56% | N/A [1] |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

CSCU

## Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| System's proportion of the net OPEB liability | 4.44% | 4.62% | 4.73% |
| System's proportionate share of the net OPEB liability | $ 967,345,901 | $ 996,032,245 | $1,021,241,708 |
| System's covered-employee payroll | $ 246,718,621 | $ 251,238,643 | $ 260,590,503 |
| System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 392% | 396% | 392% |
| Plan Fiduciary net position as a percentage of the total OPEB liability | 4.69% | 3.03% | 1.94% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

CSCU

## State Employee Retirement System Plan

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 59,187,070 | $ 64,638,177 | $ 64,086,201 | $ 54,526,224 | $ 45,788,758 | $ 33,007,798 |
| Contributions in relation to the contractually required contribution | (58,713,574) | (64,121,072) | (63,573,511) | (54,253,593) | (45,788,758) | (32,974,790) |
| Contribution deficiency (excess) | $ 473,497 | $ 517,105 | $ 512,690 | $ 272,631 | $ - | $ 33,008 |
| System's covered-employee payroll | $ 175,778,524 | $ 144,700,282 | $ 152,194,773 | $ 154,782,123 | $ 140,369,452 | $ 119,305,259 |
| Contributions as a percentage of covered employee payroll | 33.40% | 44.31% | 41.77% | 35.05% | 32.62% | 27.64% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

CSCU

## Teachers Retirement System Plan

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Contractually required contribution | 2,393,909 | 922,727 | $ 889,376 | $ 943,917 | $ 909,799 |
| Contributions in relation to the contractually required contribution | (1,234,134) | (569,543) | (1,323,934) | (1,516,991) | (1,343,282) |
| Contribution deficiency (excess) | $ 1,159,775 | $ 353,184 | $ (434,558) | $ (573,074) | $ (433,483) |
| System's covered-employee payroll | $ 4,728,567 | $ 3,652,263 | $ 4,127,906 | $ 3,930,206 | $ 3,813,448 |
| Contributions as a percentage of covered employee payroll | 26.10% | 15.59% | 32.07% | 38.60% | 35.22% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

CSCU

## Other Post Employment Benefits

Last 10 Fiscal Years [1]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Contractually required contribution | 44,676,991 | 38,553,325 | 36,046,001 |
| Contributions in relation to the contractually required contribution | (44,676,991) | (38,553,325) | (36,046,001) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| System's covered-employee payroll | $ 246,718,621 | $ 251,238,643 | $ 260,590,503 |
| Contributions as a percentage of covered employee payroll | 18.11% | 15.35% | 13.83% |

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

DRAFT

CSCU



## 1. Changes in Benefit Terms

Pension Plans

There were no changes for the June 30, 2018 valuation.

State Employee OPEB Plan

For the June 30, 2018 valuation, the following assumptions were updated:

- o The discount rate was updated in accordance with GASB Statement No. 75 to 3.95%

## Connecticut State University System

Supplemental Information – Combining Statement of Net Position

June 30, 2019

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2019 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | $ 70,635,785 | $ 34,464,521 | $ 64,094,688 | $ 20,032,459 | $ 24,724,341 | $ - | $ 213,951,794 |
| Investments | - | - | - | - | 121,196,238 | - | 121,196,238 |
| Accounts receivable, net | 4,500,293 | 1,389,854 | 3,668,875 | 1,323,211 | - | - | 10,882,233 |
| Due from the State of Connecticut | 16,120,326 | 9,995,084 | 14,401,460 | 10,311,345 | 15,288,029 | - | 66,116,244 |
| Due from SO and Universities | 280,227 | 4,631,279 | 156,425 | 206,590 | - | (5,274,521) | - |
| Prepaid expenses and other current assets | 3,141,124 | 808,118 | 935,470 | 553,196 | 3,350,576 | - | 8,788,484 |
| Total current assets | 94,677,755 | 51,288,856 | 83,256,918 | 32,426,801 | 164,559,184 | (5,274,521) | 420,934,993 |
| Noncurrent assets: | | | | | | | |
| Cash and cash equivalents | 17,332,314 | 15,635,388 | 27,543,585 | 6,653,413 | 76,710,719 | - | 143,875,419 |
| Investments | - | - | - | - | 33,196,032 | - | 33,196,032 |
| Accounts receivable, net | 1,793,886 | 946,946 | 1,133,495 | 1,650,016 | - | - | 5,524,343 |
| Other assets | - | - | 23,795 | 20,381 | 156,039 | - | 200,215 |
| Investment in plant | 582,782,749 | 500,105,025 | 599,491,084 | 421,287,920 | 41,077,594 | - | 2,144,744,372 |
| Accumulated depreciation | (254,805,806) | (176,812,179) | (289,611,136) | (182,181,865) | (16,472,622) | - | (919,883,608) |
| Investment in plant, net of accumulated depreciation | 327,976,943 | 323,292,846 | 309,879,948 | 239,106,055 | 24,604,972 | - | 1,224,860,764 |
| Total noncurrent assets | 347,103,143 | 339,875,180 | 338,580,823 | 247,429,865 | 134,667,762 | - | 1,407,656,773 |
| Total assets | $441,780,898 | $391,164,036 | $421,837,741 | $279,856,666 | $ 299,226,946 | $ (5,274,521) | $ 1,828,591,766 |
| **Deferred outflows of resources:** | | | | | | | |
| Deferred pension | $ - | $ - | $ - | $ - | $ 267,668,475 | $ - | $ 267,668,475 |
| Deferred other post employment benefits | $ - | $ - | $ - | $ - | $ 52,286,937 | $ - | $ 52,286,937 |
| Deferred loss on bond refunding | $ - | $ - | $ - | $ - | $ 995,577 | $ - | $ 995,577 |
| Total deferred outflows of resources | $ - | $ - | $ - | $ - | $ 320,950,989 | $ - | $ 320,950,989 |

# Connecticut State University System

CSCU

## Supplemental Information – Combining Statement of Net Position

June 30, 2019

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2019 |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | $ 9,303,212 | $ 6,495,721 | $ 2,045,160 | $ 1,599,210 | $ 3,308,950 | $ - | $ 22,752,253 |
| Accrued salaries and benefits | 24,181,843 | 8,754,303 | 18,969,981 | 8,557,813 | 484,801 | - | 60,948,741 |
| Accrued compensated absences | 1,734,357 | 649,634 | 1,329,204 | 707,209 | 72,041 | - | 4,492,445 |
| Due to the State of Connecticut | 24,363 | 2,475,112 | 239,398 | 2,086,253 | - | - | 4,825,126 |
| Due to SO and Universities | 192 | - | - | - | 5,274,329 | (5,274,521) | - |
| Unearned tuition,fees and grant revenue | 9,247,442 | 2,567,696 | 7,907,875 | 2,994,629 | 19,432 | - | 22,737,074 |
| Bonds payable | - | - | - | - | 19,520,000 | - | 19,520,000 |
| Accrued bond interest payable | - | - | - | - | 2,355,106 | - | 2,355,106 |
| Other liabilities | 269,261 | 32,345 | 1,797,420 | 495,371 | 232,968 | - | 2,827,365 |
| Depository accounts | 1,383,745 | 760,729 | 3,105,863 | 46,867 | 7,670 | - | 5,304,874 |
| Total current liabilities | 46,144,415 | 21,735,540 | 35,394,901 | 16,487,352 | 31,275,297 | (5,274,521) | 145,762,984 |
| Noncurrent liabilities: | | | | | | | |
| Accrued compensated absences | 19,598,444 | 10,542,146 | 18,632,374 | 9,975,186 | 1,715,578 | - | 60,463,728 |
| Bonds payable | - | - | - | - | 356,230,676 | - | 356,230,676 |
| Federal loan program advances | 3,136,752 | 1,459,188 | 2,879,465 | 1,632,106 | - | - | 9,107,511 |
| Deferred compensation | - | - | - | - | 288,357 | - | 288,357 |
| Pension liability, net | - | | - | - | 907,005,570 | - | 907,005,570 |
| Other post employment benefits, net | - | | - | - | 961,772,722 | - | 961,772,722 |
| Total noncurrent liabilities | 22,735,196 | 12,001,334 | 21,511,839 | 11,607,292 | 2,227,012,903 | - | 2,294,868,564 |
| Total liabilities | $ 68,879,611 | $ 33,736,874 | $ 56,906,740 | $ 28,094,644 | $ 2,258,288,200 | $ (5,274,521) | $ 2,440,631,548 |
| **Deferred inflows of resources:** | | | | | | | |
| Deferred pension | $ - | $ - | $ - | $ - | $ 30,128,242 | $ - | $ 30,128,242 |
| Deferred other post employment benefits | - | - | - | - | 100,438,398 | - | 100,438,398 |
| Total deferred inflows of resources | $ - | $ - | $ - | $ - | $ 130,566,640 | $ - | $ 130,566,640 |
| **Net Position** | | | | | | | |
| Invested in capital assets, net of related debt | $ 327,971,272 | $ 323,262,064 | $ 309,879,947 | $ 239,106,055 | $ (111,530,141) | $ - | $ 1,088,689,197 |
| Restricted: | | | | | | | |
| Nonexpendable | - | 60,000 | - | 407,116 | - | - | 467,116 |
| Expendable | 6,641,848 | 3,487,729 | 5,321,034 | 4,615,948 | 25,456 | - | 20,092,015 |
| Unrestricted | 38,288,167 | 30,617,369 | 49,730,020 | 7,632,903 | (1,657,172,220) | - | (1,530,903,761) |
| Total net position | $ 372,901,287 | $ 357,427,162 | $ 364,931,001 | $ 251,762,022 | $ (1,768,676,905) | $ - | $ (421,655,433) |

# Connecticut State University System

## Supplemental Information – Combining Statement of Revenues, Expenses and Changes in Net Position

June 30, 2019

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2019 |
|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | |
| Tuition and fees: | | | | | | | |
| Tuition and fees, gross | $ 122,441,449 | $ 55,031,402 | $ 113,830,418 | $ 57,483,610 | $ - | $ - | $ 348,786,879 |
| Less: | | | | | | | |
| Scholarships allowance | (9,977,078) | (11,359,008) | (9,196,383) | (5,398,646) | - | - | (35,931,115) |
| Waivers | (6,846,245) | (2,855,121) | (8,062,518) | (1,733,786) | - | - | (19,497,670) |
| Tuition and fees, net of scholarship allowances and waivers | 105,618,126 | 40,817,273 | 96,571,517 | 50,351,178 | - | - | 293,358,094 |
| Federal grants and contracts | 3,325,599 | 959,473 | 1,998,659 | 1,349,790 | - | - | 7,633,521 |
| State and local grants and contracts | 3,751,361 | 1,520,127 | 3,989,847 | 1,229,639 | - | - | 10,490,974 |
| Nongovernment grants and contracts | 1,920,080 | 618,706 | 3,645,804 | - | - | - | 6,184,590 |
| Indirect cost recoveries | 324,493 | 94,747 | 269,381 | 9,465 | - | - | 698,086 |
| Auxiliary revenues | 32,696,312 | 30,103,363 | 29,045,690 | 20,397,906 | 4,073 | - | 112,247,344 |
| Other operating revenues | 3,254,839 | 1,126,616 | 2,563,862 | 921,945 | - | - | 7,867,262 |
| Total operating revenues | 150,890,810 | 75,240,305 | 138,084,760 | 74,259,923 | 4,073 | - | 438,479,871 |
| Operating expenses: | | | | | | | |
| Salaries and wages | 103,072,182 | 55,998,363 | 101,078,014 | 58,714,627 | 4,227,621 | - | 323,090,807 |
| Fringe benefits | 64,720,367 | 37,577,855 | 65,124,936 | 36,503,034 | 75,949,481 | - | 279,875,673 |
| Professional services and fees | 5,097,722 | 3,120,642 | 5,525,164 | 3,189,303 | 2,398,122 | - | 19,330,953 |
| Educational services and support | 41,273,679 | 17,250,355 | 35,203,782 | 20,690,742 | 17,450 | - | 114,436,008 |
| Travel expenses | 2,662,882 | 1,032,866 | 1,986,457 | 1,160,952 | 79,817 | - | 6,922,974 |
| Operation of facilities | 25,186,533 | 8,045,236 | 12,404,123 | 9,106,292 | 46,771 | - | 54,788,955 |
| Other operating supplies and expenses | 5,414,343 | 3,813,034 | 6,004,955 | 5,432,063 | 12,078,937 | - | 32,743,332 |
| Depreciation expense | 17,426,636 | 14,278,190 | 20,700,979 | 12,491,988 | 371,648 | - | 65,269,441 |
| Amortization expense | - | - | 36,766 | 19,202 | - | - | 55,968 |
| Total operating expenses | 264,854,344 | 141,116,541 | 248,065,176 | 147,308,203 | 95,169,847 | - | 896,514,111 |
| Operating loss | $ (113,963,534) | $ (65,876,236) | $(109,980,416) | $ (73,048,280) | $ (95,165,774) | $ - | $ (458,034,240) |

# Connecticut State University System

## Supplemental Information – Combining Statement of Revenues, Expenses and Changes in Net Position

CSCU

June 30, 2019

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2019 |
|---|---|---|---|---|---|---|---|
| Nonoperating revenues (expenses) | | | | | | | |
| State appropriations | $ 86,172,084 | $ 53,785,817 | $ 84,087,089 | $ 51,332,823 | $ 6,721,919 | $ - | $ 282,099,732 |
| Pell grant revenue | 15,309,364 | 7,546,078 | 15,019,729 | 7,739,050 | - | - | 45,614,221 |
| Gifts | 3,417,155 | 752,288 | 167,401 | 122,832 | - | - | 4,459,676 |
| Investment income | 2,147,131 | 1,294,292 | 2,316,113 | 800,134 | 4,833,717 | - | 11,391,387 |
| Interest expense | - | - | - | - | (11,456,038) | - | (11,456,038) |
| Capital projects financed by SO | 1,044,595 | 21,855,811 | 3,346,240 | 667,929 | (26,914,575) | - | - |
| Other nonoperating revenues (expenses), net | 444,176 | 102,960 | 722,390 | 630,393 | - | - | 1,899,919 |
| Net nonoperating revenues (expenses) | 108,534,505 | 85,337,246 | 105,658,962 | 61,293,161 | (26,814,977) | - | 334,008,897 |
| Loss before other changes in net position | (5,429,029) | 19,461,010 | (4,321,454) | (11,755,119) | (121,980,751) | - | (124,025,343) |
| Other changes in net position | | | | | | | |
| State appropriations restricted for capital purposes | 37,940,762 | 15,604,427 | 6,407,333 | 24,759,907 | 5,909,420 | - | 90,621,849 |
| Loss on disposal of capital assets | (1,135,723) | (1,504,798) | (368,467) | (1,661,736) | - | - | (4,670,724) |
| Interagency transfers | (13,917,679) | (7,890,168) | (10,469,724) | (6,749,188) | 39,026,759 | - | - |
| Other changes in net position | 22,887,360 | 6,209,461 | (4,430,858) | 16,348,983 | 44,936,179 | - | 85,951,125 |
| Change in net position | 17,458,331 | 25,670,471 | (8,752,312) | 4,593,864 | (77,044,572) | - | (38,074,218) |
| Net position at beginning of year | 355,442,956 | 331,756,691 | 373,683,313 | 247,168,158 | (1,691,632,333) | - | (383,581,215) |
| Net position at end of year | $372,901,287 | $357,427,162 | $364,931,001 | $251,762,022 | $ (1,768,676,905) | $ - | $ (421,655,433) |

# Connecticut State University System

## Supplemental Information – Combining Statement of Cash Flows

June 30, 2019

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2018 |
|---|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | | |
| Tuition and fees | $ 89,792,896 | $ 33,097,909 | $ 85,899,484 | $ 43,007,706 | $ 25,384,077 | $ 353,986 | $ 277,536,058 |
| Grants and contracts | 8,141,834 | 3,049,530 | 8,514,150 | 3,192,186 | - | - | 22,897,700 |
| Auxiliary revenues | 32,558,805 | 29,188,143 | 27,769,133 | 20,995,952 | - | - | 110,512,033 |
| Other operating revenues | 5,311,323 | 3,139,612 | 8,875,622 | 4,072,694 | 12,578,578 | (8,504,474) | 25,473,355 |
| Payments to employees for salaries and benefits | (156,772,302) | (90,765,232) | (153,276,010) | (89,636,137) | (6,357,067) | - | (496,806,748) |
| Payments to suppliers | (1,839,339) | (1,635,720) | (3,937,275) | (1,974,995) | (68,546) | - | (9,455,875) |
| Professional services and fees | (4,991,199) | (2,457,457) | (5,226,134) | (4,061,677) | (2,588,477) | - | (19,324,944) |
| Educational services and support | (38,952,356) | (15,615,146) | (33,005,017) | (19,121,095) | (846) | - | (106,694,460) |
| Travel expenses | (2,771,744) | (877,063) | (1,964,236) | (931,930) | (78,047) | - | (6,623,020) |
| Operation of facilities | (26,571,462) | (7,419,981) | (11,049,139) | (10,537,840) | (10,300,932) | 8,504,474 | (57,374,880) |
| Other operating supplies and expenses | (2,887,376) | (1,804,551) | (3,784,396) | (6,114,518) | (13,286,183) | (353,986) | (28,231,010) |
| Net cash provided (used) in operating activities | (98,980,920) | (52,099,956) | (81,183,818) | (61,109,654) | 5,282,557 | - | (288,091,791) |
| Cash flows from noncapital financing activities: | | | | | | | |
| State appropriations | 71,976,668 | 44,186,288 | 73,944,440 | 46,025,624 | 6,475,390 | - | 242,608,410 |
| Gifts for other than capital purposes | 3,118,969 | 390,041 | 152,654 | 132,060 | - | - | 3,793,724 |
| Nonoperating grants and revenue other | 15,307,851 | 7,304,586 | 15,117,290 | 8,343,544 | - | - | 46,073,271 |
| Net cash provided by noncapital financing activities | $ 90,403,488 | $ 51,880,915 | $ 89,214,384 | $ 54,501,228 | $ 6,475,390 | $ - | $ 292,475,405 |

# Connecticut State University System

Supplemental Information – Combining Statement of Cash Flows

June 30, 2019

CSCU

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2018 |
|---|---|---|---|---|---|---|---|
| Cash flows from investing activities: | | | | | | | |
| Proceeds from sales and maturities of investments | $ - | $ - | $ - | $ - | $ 45,230,773 | $ - | $ 45,230,773 |
| Purchases of investments | - | - | - | - | (32,269,643) | - | (32,269,643) |
| Interest and dividends received on investments | 1,135,727 | 670,679 | 1,065,838 | 456,653 | 2,895,457 | - | 6,224,354 |
| Net cash provided by investing activities | 1,135,727 | 670,679 | 1,065,838 | 456,653 | 15,856,587 | - | 19,185,484 |
| Cash flows from capital and related financing activities: | | | | | | | |
| Cash paid for capital assets | (37,044,174) | (18,828,356) | (11,446,728) | (6,677,834) | (10,956) | - | (74,008,048) |
| State capital appropriations received | 44,532,999 | 21,330,131 | 9,660,635 | 10,743,665 | 12,348,317 | - | 98,615,747 |
| Repayments of capital debt and leases | - | - | - | - | (20,055,000) | - | (20,055,000) |
| Interest paid on capital debt and leases | - | - | - | - | (13,943,238) | - | (13,943,238) |
| Net cash provided (used) in capital and related financing activities | 7,488,825 | 2,501,775 | (1,786,093) | 4,065,831 | (21,660,877) | - | (9,390,539) |
| Net increase in cash and cash equivalents | 47,120 | 2,953,413 | 7,310,311 | (2,085,942) | 5,953,657 | - | 14,178,559 |
| Cash and cash equivalents, beginning of year | 81,137,070 | 46,910,939 | 87,844,335 | 31,634,821 | 106,359,021 | - | 353,886,186 |
| Cash and cash equivalents, end of year | $ 81,184,190 | $ 49,864,352 | $ 95,154,646 | $ 29,548,879 | $ 112,312,678 | $ - | $ 368,064,745 |

# Connecticut State University System

## Supplemental Information – Combining Statement of Cash Flows

June 30, 2019

CSCU



| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2018 |
|---|---|---|---|---|---|---|---|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Operating loss | $ (117,444,073) | $ (70,370,015) | $ (109,339,567) | $ (76,661,228) | $ (45,556,034) | $ - | $ (419,370,917) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Depreciation expense | 17,221,042 | 14,551,697 | 20,455,856 | 13,685,530 | 279,497 | - | 66,193,622 |
| Amortization | - | - | 53,625 | 27,434 | - | - | 81,059 |
| Changes in assets and liabilities: | | | | | | | |
| Receivables | (875,678) | 565,683 | 2,167,440 | 309,185 | - | - | 2,166,630 |
| Prepaid expenses and other | 305,127 | 102,096 | (187,393) | (125,470) | 86,080 | - | 180,440 |
| Accounts payable | 452,180 | 240,144 | (451,915) | (1,595,592) | 1,177,317 | - | (177,866) |
| Accrued salaries and benefits | 2,678,340 | 2,075,605 | 5,435,437 | 1,832,373 | 49,412 | - | 12,071,167 |
| Other liabilities | (474,440) | (111,861) | (155,808) | (487,324) | 1 | - | (1,229,432) |
| Due to/from State of Connecticut | (3,394) | 898,594 | 266,276 | 564,512 | - | - | 1,725,988 |
| Due to/from Universities | (152,758) | (370,110) | 886,024 | 1,880,469 | (2,243,625) | - | - |
| Unearned tuition, fees and grant revenues | (679,635) | (168,443) | (1,327,073) | (469,880) | - | - | (2,645,031) |
| Deferred compensation | - | - | - | - | 50,000 | - | 50,000 |
| Depository accounts | 93,353 | (22,047) | 305,179 | 49,936 | - | - | 426,421 |
| Accrued compensated absences | (100,984) | 508,701 | 708,101 | (119,599) | 143,987 | - | 1,140,206 |
| Pension liability | - | - | - | - | (96,696,186) | - | (96,696,186) |
| Other post employment benefits | - | - | - | - | (18,268,659) | - | (18,268,659) |
| Changes in deferred outflows and inflows of resources: | | | | | | | |
| Deferred pension contribution | - | - | - | - | 108,758,210 | - | 108,758,210 |
| Deferred other post employment benefit outlows | - | - | - | - | (10,803,330) | | (10,803,330) |
| Deferred pension asset gains | - | - | - | - | 17,973,592 | | 17,973,592 |
| Deferred other post employment benefit inflows | - | - | - | - | 50,332,295 | - | 50,332,295 |
| Net cash used in operating activities | $ (98,980,920) | $ (52,099,956) | $ (81,183,818) | $ (61,109,654) | $ 5,282,557 | $ - | $ (288,091,791) |
| Noncash investing, noncapital financing and capital and related financing transactions: | | | | | | | |
| Fixed assets included in accounts payable | $ 1,668,774 | $ 672,287 | $ 393,595 | $ 42,818 | $ - | $ - | $ 2,777,474 |
| State financed plant facilities | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Reconciliation of cash and cash equivalents to the combined statements of net assets: | | | | | | | |
| Cash and cash equivalents classified as current assets | $ 64,665,555 | $ 34,224,234 | $ 68,588,705 | $ 22,071,219 | $ 30,043,955 | $ - | $ 219,593,668 |
| Cash and cash equivalents classified as noncurrent assets | 16,518,635 | 15,640,118 | 26,565,941 | 7,477,660 | 82,268,723 | - | 148,471,077 |
| | $ 81,184,190 | $ 49,864,352 | $ 95,154,646 | $ 29,548,879 | $ 112,312,678 | $ - | $ 368,064,745 |

CSCU

**1. Basis of Presentation of Supplemental Information**

The supplementary schedules are presented to provide information from the stand-alone books and records of the universities and system office. The supplementary schedules exclude certain eliminating entries necessary to prepare the consolidated financial statements of CSUS. The supplementary schedules also do not include the impact of the adoption of GASB 68, *Pensions*, or GASB 75, *other post-employment benefits*, on the individual universities as reported in the financial statements of CSUS because the liability has not been allocated to the universities but rather is reflected only at the CSUS system level in the financial statements.