# CSCU Board of Regents

**AGENDA**
**Audit Committee**
**Monday, February 24, 2025 @ 10:00 a.m.**
**Conducted Via Remote Participation**
**Meeting will stream live at: https://youtube.com/live/-W38iu4ColE**

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1. Call to Order and Declaration of Quorum

2. Approval of Previous Audit Meeting Minutes – May 29, 2024……………………………………………Page 2

3. Introductions
   Annette Pavone, CSCU Controller
   Cameron Liston, CSCU Chief Compliance Officer
   Cynthia Isales, CT State Compliance Officer

4. Discussion Items

   - Update on Audits of the Auditors of Public Accounts Audit Reports – L. Blanchard
   - Year End Audit and Discussion
     - Report by Management – L. Blanchard
     - Report by Grant Thornton - C. Esten, Partner
       a. Required Communications……………………………………………………………………………… Page 57
       b. Draft Connecticut State Universities - June 30, 2024 Financial Statements……. Page 98
       c. Draft Connecticut Community Colleges - June 30, 2024 Financial Statements.. Page 163
       d. Draft Charter Oak State College - June 30, 2024 Financial Statements ………….. Page 214
     - Draft CSCU 2020 Construction Expenditure Audit Report……………………………………. Page 258
       Whittlesey (N. Deets, Assurance Manager)
   - CT State Update
     - Discuss DOJ compliance guidance
     - Review current structure
     - Identify areas of risk
     - Overview actions taken thus far: referrals to regulatory agencies, trainings, enhancements to internal controls

4. Adjournment

**Audit Committee members**
Elease Wright, Chair
Rick Porth
Ari Santiago

# BOARD OF REGENTS FOR HIGHER EDUCATION
# CT STATE COLLEGES AND UNIVERSITIES (CSCU)
## Minutes of Audit Committee Meeting
## May 29, 2024
## Conducted Via Remote Participation

| REGENTS – PARTICIPATING (Y = yes / N = no) | |
|---|---|
| Elease Wright, Committee Chair | Y |
| Rick Porth | Y |
| Ari Santiago | N |

**CSCU STAFF:**
Lloyd Blanchard, VP of Administration / Chief Financial Officer
Rachel Cunningham, Admin Assistant to Lloyd Blanchard
Melinda Cruanes, Controller
Pamela Heleen, Secretary of the Board of Regents

**GUESTS:**
Chris Bradford, Grant Thornton
Claire Esten, Grant Thornton
Dave Stoffel, Grant Thornton
Shaun Sheridan, Whittlesey Advising
Nicolas Deets, Whittlesey Advising

**CALL TO ORDER:**

Committee Chair Wright called the meeting to order at 1:00 p.m. Following the roll call, Rachel Cunningham recorded a quorum present.

**APPROVAL OF PREVIOUS MEETING MINUTES:**

*Chair Wright requested a motion to accept the minutes of the December 19, 2023, seconded by Regent Porth, which were approved by a unanimous vote.*

**DISCUSSION ITEMS:**

- **APA Update** – Melinda Cruanes

The Auditors of Public Accounts (APA) released the Statewide Federal single audit on March 27, 2024, for FY2023. The audit looks at the compliance of federal grants statewide and is performed each year.

This year, there were 8 overall findings related to the CSU system, and all but one were related to student financial aid grants.

- 1 finding was related to a COVID-19 Grant at CT State Norwalk for a lack of approval support for a transaction using a P-card. It was a small purchase, $137, that was charged to the grant. The auditors found that there was not sufficient approval and noted it as a finding.
- 7 findings related to Student Financial Aid grants at CT State Housatonic, SCSU, and ECSU:
    - Two findings related to the college holding on to excess federal funds longer than allowed and where direct loan reconciliations were not being done timely.
    - Two findings related to reporting requirements, enrollment reporting, and disbursement record reporting, which were either incomplete or late.
    - Three findings related to verification of corrected FAFSA which was missing for one student, disbursement notifications that were not sent to 10 students, and return of Title IV funds being incorrect due to using an inaccurate enrollment period in the calculation.

  The administration of federal financial aid grants is a coordinated effort between financial aid and the business office, and controls are in place to avoid these or similar findings in the future. In the past, each community college campus was tasked with responding to findings and tracking them; with the college merger, a consolidated tracking mechanism at the System Office is being developed for better monitoring of these findings.

Q: Chair Wright asked if the findings were an effect of the consolidation, if there is a plan in place to ensure compliance consistently across all the institutions, and what contributed to the findings at these 3 specific institutions.

> M. Cruanes noted that at the three institutions, monitoring was done manually and communication was disrupted between departments during the consolidation, retirements, and change in staff.
>
> CFO Blanchard stated controls and mechanisms are being designed to catch mistakes before they result in audit findings.

Q: Regent Porth asked if the dollar value in these findings was low/minor.

> M. Cruanes responded that the financial aid grant is relatively large, which is why the auditors test it every year, but the dollar amount in the audit finding was very small and highlighted the concern for a controlled compliance issue.

M. Cruanes reported that in accordance with CT General Statute Section 2-90, which outlines the APA required audits, a report for Charter Oak State College was issued after the last meeting in December 2023 as follows:

- There were 5 findings in total (1-fixed assets, 3-purchasing records, and 1-technology and disaster recovery planning). All were focused on the timeliness and completeness of records. There were no findings related to unauthorized purchases, theft, or other related risks. Some of the findings were previously known by management and were due to resource constraints with Charter Oak still navigating the pandemic and employee turnover. Charter Oak management has added additional measures to continue to mitigate these findings and there will also be a separate technology audit report coming out soon which carries the same focus. The technology team is now fully staffed and has positioned itself to complete the report by calendar year end.

Q: Regent Porth asked if there is an update on the progress made to bring consistency to all the institutions in the areas of procurement, purchasing, and compliance.

Chair Wright commented that the standardization of practices has been introduced. This didn't exist when the community colleges were independent of one another with different processes for financial and auditing practices.

- **Introduction of Audit Firm, Whittlesey Advising** – Shaun Sheridan / Nicolas Deets

  M. Cruanes introduced the new audit firm, Whittlesey Advising. Their full presentation is included as Attachment A.

  S. Sheridan provided an overview of the Engagement Team & Responsibilities.

  N. Deets provided an overview of Planning, Risk Assessment & Timeline.

- **Update by Grant Thornton** – Claire Esten, Chris Bradford, Dave Stoffel

  Grant Thorton's presentation is included as Attachment B. C. Esten provided an overview of audit plan.

  C. Bradford reviewed the Audit Timeline & Scope.

  D. Stoffel reviewed Areas of Audit Focus, Use of Other Auditors, Auditor Independence & Ethics.

  C. Esten shared an overview of General Industry Updates.

  Chair Wright & Regent Porth thanked C. Esten for the general industry updates that help CSCU leadership and the BOR address challenges facing colleges and universities across the country.

Q: Regent Porth asked how the audit will look at the change in the way the state pays for fringe benefits.

CFO Blanchard explained the accountants will be able to look back and see a large shift, but it's mostly a budgetary issue and shouldn't be a compliance issue.

M. Cruanes confirmed the recording of the payments will balance and not look different for audit purposes.

**ADJOURNMENT**

*Chair Wright requested a motion to adjourn. Regent Porth moved, Chair Wright seconded and following a unanimous vote, the meeting adjourned at 1:49 p.m.*

Attachment A

# Connecticut State Colleges and Universities

*Audit Plan*

June 30, 2024

Whittlesey
Forward Advising™

# Agenda

- Whittlesey Engagement Team
- Responsibilities
- Audit Approach
    - Planning and Risk Assessment
    - Significant Risks
    - Fraud Considerations
    - Proposed Timeline

# Whittlesey Engagement Team

| | Role | Phone | Email |
|---|---|---|---|
| **Shaun Sheridan** | Partner | 860.524.4474 | ssheridan@WAdvising.com |
| **Lisa Wills** | Concurring Review Partner | 860.524.4412 | lwills@Wadvising.com |
| **Nick Deets** | Manager | 860.206.5122 | ndeets@WAdvising.com |

# Responsibilities

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# Management Responsibilities

- Preparation and fair presentation of the schedule and footnotes in conformity with the cash basis of accounting
- Design, implementation and maintenance of internal control over financial reporting
- Adjusting the schedule to correct material misstatements
- Acknowledging responsibility for fraud prevention and detection
- Disclosing significant deficiencies and material weaknesses
- Providing  the auditors with letter confirming certain representations made during the audit
- Providing access to individuals and information to allow for the performance of the audit

# Governing Body Responsibilities

- Oversight of the schedule reporting process
- Oversight of the establishment and maintenance of internal controls and programs to prevent and detect fraud
- Setting the proper tone and maintaining a culture of honesty and high ethical standards
- Informing the auditors of any:
  - Known or suspected fraud or other matters that would be of significance to our audit process
  - Noncompliance with laws and regulations, contracts or grant agreements (if any)

# Auditor Responsibilities and Opinion

- Conduct our audit in accordance with the cash basis of accounting and *Generally Accepted Auditing Standards*
- Express an opinion on whether schedule is presented fairly, in all material respects, in accordance with the cash basis of accounting
- Design and perform audit procedures to obtain reasonable – not absolute – assurance about whether the schedule is free of material misstatement, whether caused by error or fraud
- Obtain an understanding of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting
- Communicate to the governing body all significant matters over the financial reporting process and significant deficiencies and material weaknesses in internal control of which we are aware

# Audit Approach

# Planning and Risk Assessment

- Conduct planning meetings with management and the governing body and develop audit timeline
- Identify and assess the risks of material misstatement of the schedule
- Identify significant transaction classes and perform walkthroughs
- Design audit procedures which include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.

# Significant Risks

# Key Audit Areas

- Direct costs and expenditures
- Labor costs
- Approved allocation methodologies and budgets

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# Fraud Risk Considerations

| Identification of Fraud Risks | Response to Identified Fraud Risks |
|---|---|
| Perform risk assessment procedures to identify fraud risks | Evaluate design and implementation of mitigating controls |
| Discussion among the audit team regarding the susceptibility to fraud | Test effectiveness of controls |
| Inquiries of senior management, governing body and others | Perform specific substantive audit procedures (incorporate elements of unpredictability) including testing of significant unusual transactions |
| Evaluate programs/controls that prevent, deter and detect fraud | Address revenue recognition and risk of management override of controls |
| | Evaluate audit evidence |
| | Communicate to management and governing body |

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# Proposed Timeline

| | May | July | Aug | Oct | Dec | Jan |
|---|---|---|---|---|---|---|
| Committee Planning Meeting | ✓ | | | | | |
| Update understanding of Internal Controls | | ✓ | | | | |
| Determine Nature and Extent of Testing – Risk Assessment | | ✓ | | | | |
| Conduct Fieldwork | | ✓ | ✓ | | | |
| Preparation and Review of Draft Financial Statements | | ✓ | ✓ | | | |
| Committee Meeting at Conclusion | | | ✓ | | | |
| Release Final Audit Report | | | ✓ | | | |

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# 2024 Annual Audit Planning Presentation

## Connecticut State Colleges and Universities

May 2024

PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

# Agenda





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# Audit timeline & scope

| Apr. 2024 | May/June 2024 | May/June 2024 | June 2024 | Sep. 2024- Dec. 2024 | Report Issuance date |
|---|---|---|---|---|---|
| **Client continuance** | **Planning** | **Preliminary risk assessment procedures** | **Interim fieldwork** | **Final fieldwork** | **Deliverables** |
| • Independence<br>• Conduct internal client service planning meeting, including coordination with audit support teams (actuaries) | • Materiality determination<br>• Meet with management to confirm expectations and discuss business risks<br>• Issue engagement letter<br>• Discuss scope of work<br>• Initial Audit committee communications | • Significant risks identified and audit plan to address risks created<br>• Update understanding of internal control environment | • Perform walkthroughs of controls<br>• Perform selective substantive testing on interim balances | • Perform year-end fieldwork procedures<br>• Meet with management to discuss results, including review draft of FS, misstatements(if any) and completeness/accuracy of disclosures<br>• Present results to the Audit committee | • Financial statements, misstatements, disclosures |



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# Significant risks

## The following provides an overview of significant risks based on our risk assessments

| Significant risk area | Planned Procedures |
|---|---|
| Management override of internal controls<br>Presumed fraud risk and therefore significant risk in all audits. | • Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.<br>• Assess the ability of the University to segregate duties in its financial reporting, information technology, and at the activity-level.<br>• Conduct interviews of individuals involved in the financial reporting process to understand (1) whether they were requested to make unusual entries during the period and (2) whether they are aware of the possibility of accounting misstatements resulting from adjusting or other entries made during the period.<br>• Perform risk assessment for journal entries and detail test a sample of journal entries based on our risk assessments to ensure propriety of the entries. |

# Areas of audit focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

| Areas of focus | Planned Procedures |
|---|---|
| Tuition revenue, auxiliary enterprises and related receivables/deferred revenue | • Perform reasonableness test on tuition and fees, student aid and auxiliary revenue amounts<br>• Perform detailed testing of a sample of transactions, agreeing to source documentation |
| Net Pension and OPEB Liabilities (and related deferred inflows/outflows and pension/OPEB expense) | • Review management's methodology and journal entries to record pension/OPEB liability and related accounting<br>• Review the reports issued by the Auditors of Public Accounts<br>• Perform testing over the census data used by the actuary |



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# Areas of audit focus

## The following provides an overview of the areas of significant audit focus based on our risk assessments.

| Areas of focus | Planned Procedures |
|---|---|
| State Appropriations | • Reconcile amounts to the GL, including confirmation of certain amounts with the state |
| Capital Assets | • Test a rollforward of capital asset balances<br>• Test additions on a sample basis (if material) |
| Cash and cash equivalents | • Confirm all material cash balances and reconcile confirmed balances to the GL |
| Grant revenue and related receivables/deferred revenue | • Perform detailed transaction testing over grant revenue |



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# Areas of audit focus

## The following provides an overview of the areas of significant audit focus based on our risk assessments.

| Areas of focus | Planned Procedures |
|---|---|
| Accounting estimates | The preparation of the University's financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. Our procedures have been designed in part, to review these estimates and evaluate their reasonableness. |
| Financial statement disclosures | Our procedures will also include an assessment as to the adequacy of the University's financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by US GASB. |

# Use of other auditors

| Component | Nature of work performed* |
| --- | --- |
| Foundation | Each of the Foundations has 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 and related accounts | The State 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 and related deferred inflows/outflows and pension/OPEB expense. Grant Thornton assesses the qualifications of the APA and takes responsibility for their work. |



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# Auditor independence

## Our firm maintains a robust quality control system supported by comprehensive policies and procedures that meets or exceeds regulatory requirements. Our system enables us to evaluate and maintain our independence and serve audit clients with requisite integrity, objectivity, and independence. As you exercise your oversight responsibilities, you should understand the more significant aspects of this system:

- Accumulating and communicating relevant information, including a restricted-entity list and use of a tracking system to monitor the financial interests of our worldwide personnel
- Obtaining annual written confirmations of compliance from personnel and member firms
- Monitoring individual compliance, including periodic audits and disciplinary mechanisms
- Conducting a domestic or international relationship check through a robust Relationship Checking System
- Evaluating relationships and circumstances that create threats to independence, including relationships identified through a domestic or international check

### Monitoring independence for new opportunities

Only permitted nonaudit services or business relationships are cleared, and such services or relationships are monitored for scope creep. As necessary, our firm applies appropriate safeguards to eliminate or mitigate independence threat(s) to an acceptable level. As necessary, or as required by a regulator, the engagement partner will discuss with management and/or the audit committee any potential independence threats or where additional input is needed in relation to our firm's independence evaluation.



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# Commitment to promote ethical and professional excellence

**We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.**

**The Ethics Hotline**
(1.866.739.4134) provides individuals a means to call and report ethical concerns.

**The EthicsPoint URL**
link can be accessed from our external website or through this link:
https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191

**Disclaimer:** EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.



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# Industry Updates

# Insights from industry luminaries

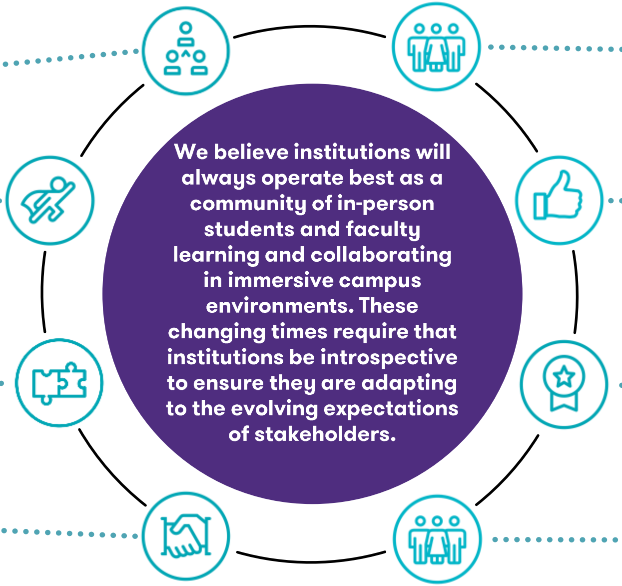
## Current higher education environment and emerging issues for consideration

Organization in transition
- Key leaders retiring
- Losing institutional knowledge
- Learning how to do more with smaller teams

Looking for liquidity options - selling non-financial assets

How the finance organization can better use AI

Lack of prioritization of long-term initiatives




Looking for cost cutting options. Rationalization of use of shared services.

Legislative oversight- how to best prepare

IT/ERP - Replacing full systems, going through implementations, what to consider during a transition

Strategic planning - better internal reporting, re-evaluation of our core-business, full understanding of risk profile

**Relevant articles: (click to read)**

- 5 steps to effective fundraising
- In higher education, Form 990 is a critical test
- 3 challenges put higher education leaders to the test
- Deconstructing 5 myths about academic tenure



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# Higher education sector has "mixed outlooks" from the three credit rating agencies

S&P Global Ratings
"Bifurcated"

Moody's
"Stable"

FitchRatings
"Deteriorating"

Rating agencies cite common factors driving 2024 expectations->

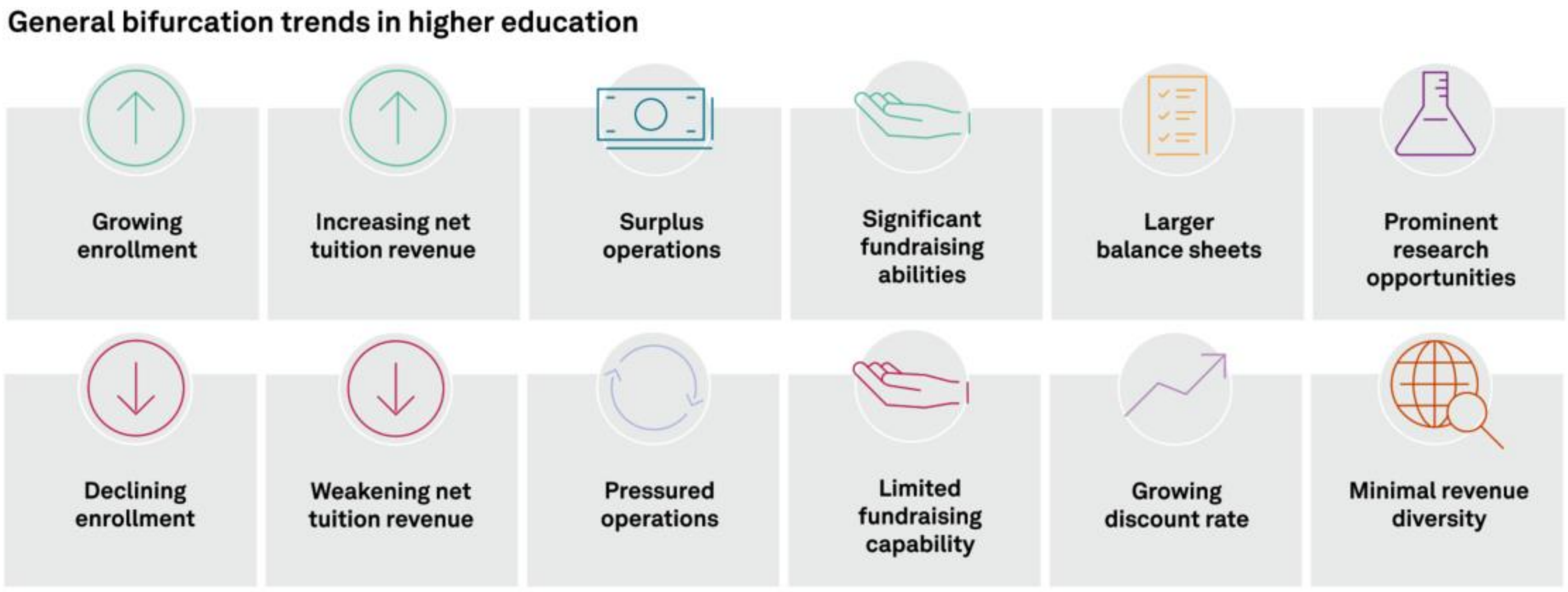
- Improved macroeconomic conditions
- Stabilization of labor costs
- Generally soft enrollment trends
- Relatively inflated interest rates affecting the cost of capital
- Some continued strength in balance sheets
- Limited impact of cost reduction efforts now that most "low hanging fruit" has been gathered

**Bottom line** → The "big question" is whether higher education is stabilizing at the bottom of the trough or is it in a trajectory of decline that will continue albeit at a slower pace than 2023.

Source: Kaufman Hall: Takeaways from Our Conversation with the Rating Agencies on the Outlook for Higher Education

# S&P's 2024* outlook remained "bifurcated"

S&P Global Ratings




**Bottom line**→ Sector view is mixed. Competition for students is intensifying, operating expenses are rising, and schools are facing budget pressures, but these hurdles aren't affecting all colleges and universities equally.

*** Outlook as of January 2024**



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# S&P Outlook, continued

S&P Global Ratings

With the large number of potential risks to monitor, 2024 is a good time to be evaluating enterprise risk management plans.





# S&P Outlook, continued

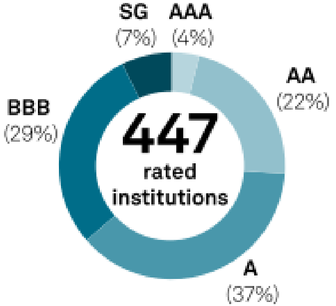
S&P Global Ratings

## U.S. Higher Education | By The Numbers

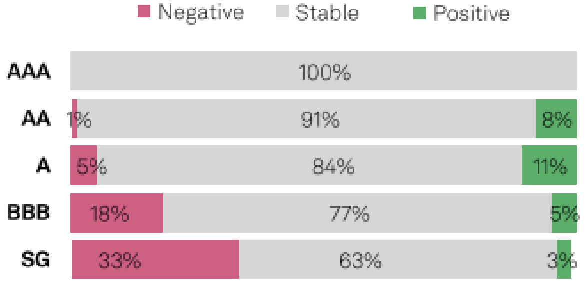
### U.S. not-for-profit higher education: by the numbers

**Rated institutions' characteristics**

Rating category distribution




Outlook distribution




**Median tuition increase in FY22**

**+3.0%** for rated privates

**+2.5%** for rated publics

**3.2%** annual inflation rate for U.S.*

**6** new public ratings in 2023

**Average investment gain**

**-10.2%** in fiscal 2022, versus

**+8.7%** in fiscal 2023

**Rating and outlook actions**

Downgrades to upgrades **1.9 : 1**

Favorable to unfavorable outlook revisions **1.1 : 1**

*For 12 months ended December 2023. §Does not include developing outlooks. Ratings data as of Dec. 31, 2023. Inflation data: U.S. Labor Department. SG--Speculative grade. Source: Investment return data per Wilshire Trust.





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# S&P Outlook, continued

S&P Global Ratings

## "Event risks"

Event risks can reduce financial resources in times of operating stress

**Management & Governance**

- High management turnover
- Shorter tenures
- Succession planning

**Cyber Security Risk**

- Cyber attacks are increasing globally
- Insurance costs are up 40-60%
- Over 1,600 cyber attacks annually on education and research

**Artificial Intelligence (AI)**

- Realize administrative and enrollment management efficiencies
- Improve student success
- Possible credit implications

# Moody's 2024* outlook revised to "stable" from "negative"

MOODY'S

## Positive Developments

- Revenue growth will accelerate as gains materialize across multiple sources
- Moderating expense growth will prevent a material erosion in operating margins
- Reserves will remain sounds as investment returns rebound and gift revenue grows
- Adjusted debt will fall as high interest rates discourage borrowing and alleviate pension liabilities
- As inflation cools, expense growth will moderate
- Overall projected revenue growth of 4%
- Institutions with strongest financial position continue to get stronger

## Risks to Monitor

- Faculty tenure continues to be a sector risk which can limit budget and operating flexibility
- Labor shortages continue in IT, Finance and admissions
- Increased union activity (faculty, admin and students)

* Outlook as of December 2023



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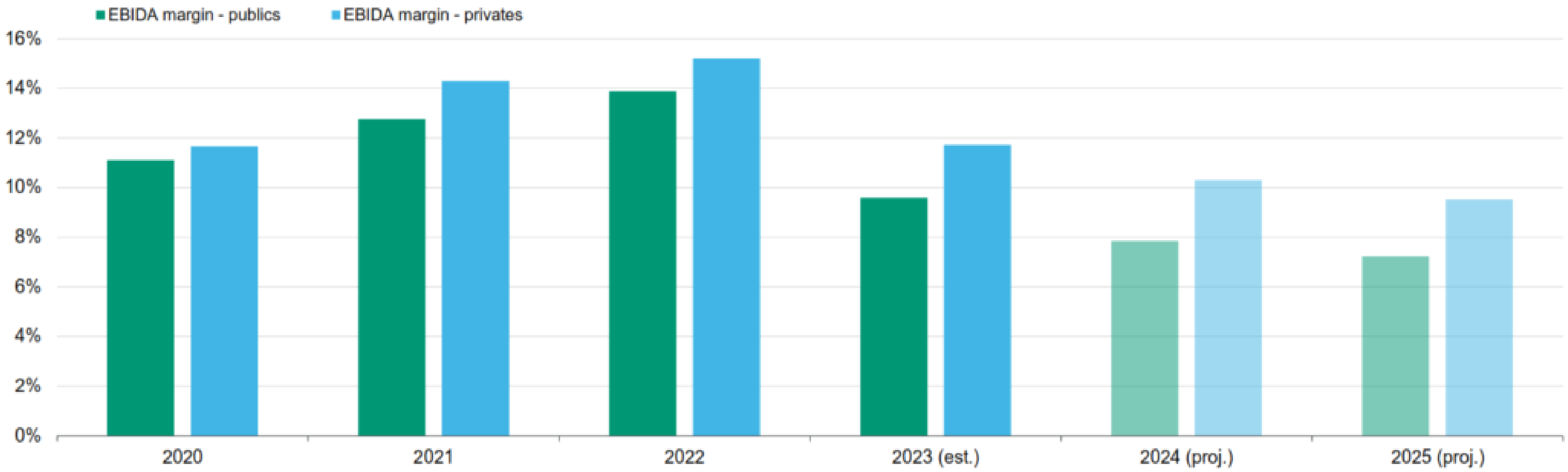
# Moody's outlook, continued

After significant weakening in 2023, margins will stabilize at lower levels toward the end of the outlook period




X-axis represents fiscal years ending June 30

Operating margins will continue to be squeezed with continued pressure on tuition discounts and federal funding during the pandemic runs dry.

*Source: Moody's Investor Services 2024 higher education outlook

# Fitch's 2024* outlook remained "deteriorating"

FitchRatings

## Core credit drivers for deteriorating outlook

- Limited increases in tuition are unlikely to be sufficient to mitigate elevated operating costs
- Improving but still unfavorable macroeconomic conditions (labor and wage pressure and elevated interested rates along with a mild and uneven recovery in enrollment)
- Net tuition revenue pressure due to accessibility and affordability are likely to suppress meaningful growth prospects
- Overall undergraduate enrollment remains 15% below Fall 2021 levels (most recent peak), reflecting evolving consumer sentiment and some relaxing of employer degree requirements
- Resumption of student loan payments, together with continued tight labor conditions, are expected to dampen overall enrollment prospects in 2024

**Bottom line**→ Sector bifurcation will continue to widen the credit gap between larger, more selective institutions versus their smaller, less selective and more tuition-dependent counterparts.

*Outlook as of December 2023

# Forbes 2024 trends in higher education

1. The changing admissions landscape- look for more legal challenges, less legacy admissions, more direct and guaranteed admissions programs

2. More legislative oversight- Congress is gearing up to wage an aggressive federal campaign against higher education, particularly elite institutions

3. Artificial intelligence expands- all aspects of higher education from recruiting to research to student testing to personalized learning to program expansion and others will be impacted by this technology

4. Curricular innovations- colleges will experiment with curricular alternatives like skills-oriented courses, reduce credit hour requirements and graduate online programs

5. Campus budget woes continue- 2024 will likely see more of the same cuts as the recent past, and expect more consolidations, closures and declarations of financial exigency

*Source: Forbes.com



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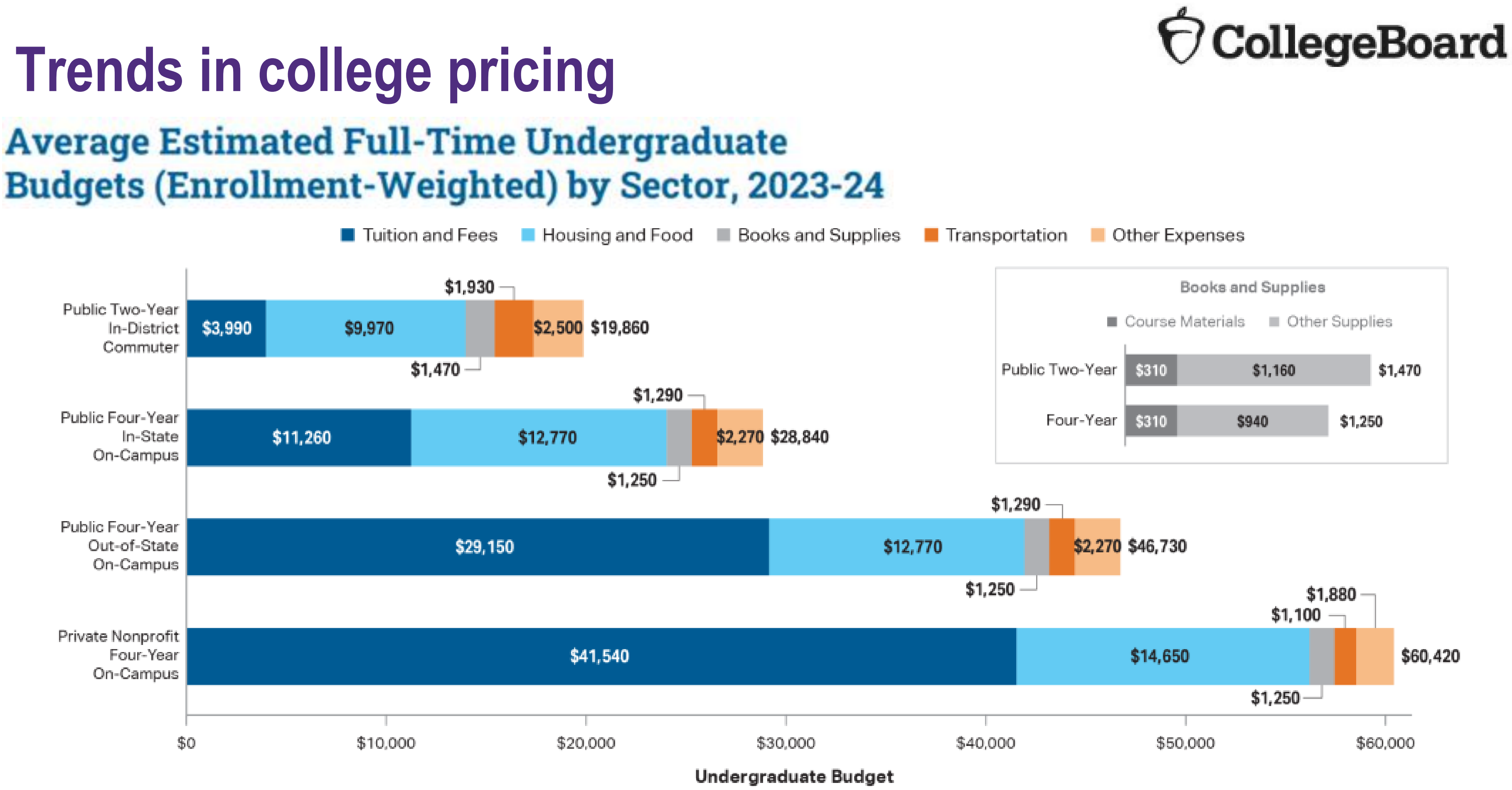
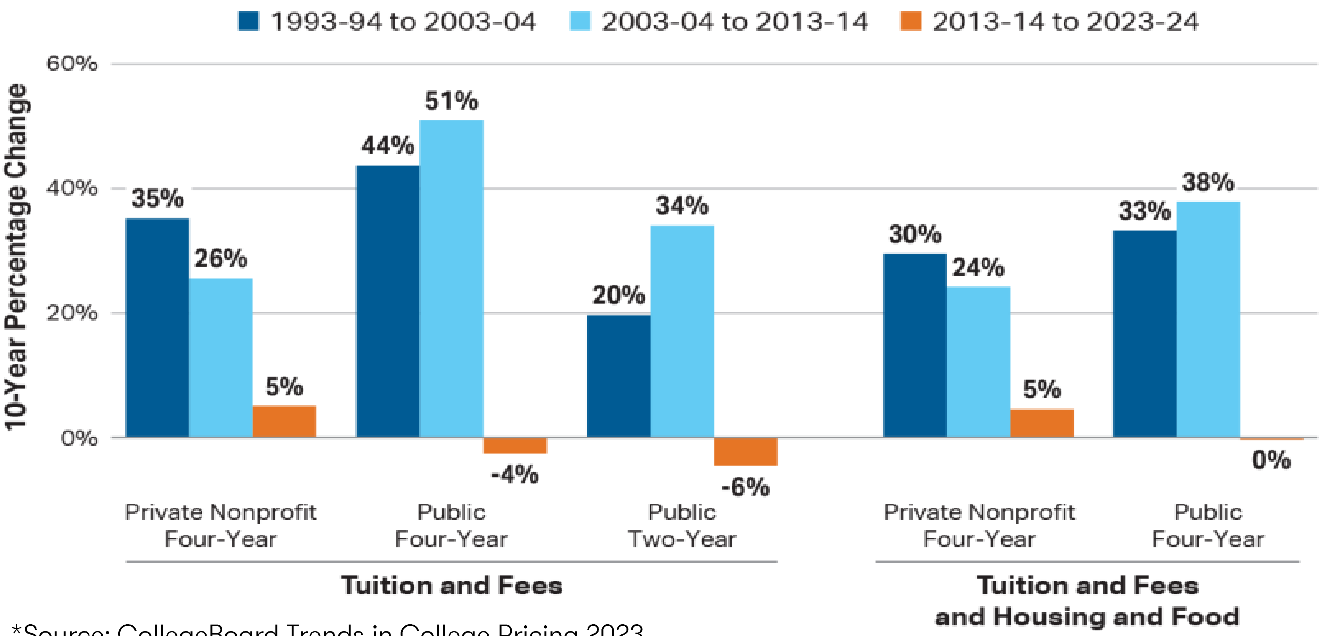
# Trends in college pricing




*Source: CollegeBoard Trends in College Pricing 2023

# Trends in college pricing

## Ten-Year Percentage Changes in Inflation-Adjusted Published Prices by Decade, 1993-94 to 2023-24




*Source: CollegeBoard Trends in College Pricing 2023

# Financial Aid Delay Is The Latest Hurdle For U.S. Higher Education

1. Dept of Ed decided to overhaul the Free Application for Federal Student Aid (FASFA) to simplify the application for students and their families
2. There have been issues with the application which are causing delays to provide the applications to colleges and universities
3. The delayed rollout for the FAFSA for the 2023-24 academic cycle will effectively reduce the decision-making timeline for aid awards and acceptance decisions and could have residual effects on enrollment
4. Dept of ED recently announced FAFSA applications for AY2024-25 will not be available for colleges and universities to review until at least March 2024
5. The current expected timing will leave students less than a month before they're typically expected to commit to a college (May 1), as a result, many schools are extending deposit deadlines
6. Potential delay in financial aid offerings to students could affect college and university matriculations, as well as fiscal 2025 operating budgets if fall 2024 institutional financial aid ends up being materially higher than anticipated

***Source:** S&Pglobal.com

# Financial Aid Delay Is The Latest Hurdle For U.S. Higher Education

S&P Global Ratings

## By the numbers - Financial aid in higher education

**March** – When FAFSA information is now expected to be received by colleges and universities

**May 1** – National College Decision Day

As of late January, 700,000 high school seniors had completed applications, down from 1.5 million applicants at the same time last year

**53%**


**$111.6 bil.**

Amount the U.S. Department of Education awarded in federal grants, loans, and work-study funds in fiscal 2022

Maximum Federal Pell Grant for 2023–2024 award year (July 1, 2023 - June 30, 2024)

**$7,395**

**3.6 million+**

FAFSA forms (including both current and incoming students) submitted in January 2024

* Source: National College Attainment Network analysis of Dept of ED
* Source: S&P global ratings

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# Washington Update

NACUBO
The Voice of Higher Education Business and Finance

## [President Biden's FY24 Budget Requests>]

- Proposes raising the maximum Pell Grant award to $8,215 for the 2024-2025 academic year.
- Significant funding increases at several agencies that typically support research and other programs at colleges and universities:

| Federal agency | Increase in funding |
|---|---|
| Dept of Energy | $35m to stand up new national lab at an HBCU or MSI (minority-serving institution) |
| NSF | 18.6% increase |
| Dept of Agriculture | $95m increase to Agriculture and Food Research Initiative |
| HHS | 11.5% increase |
| NASA | 7% increase |

* Source: NACUBO Washington Update November 2023



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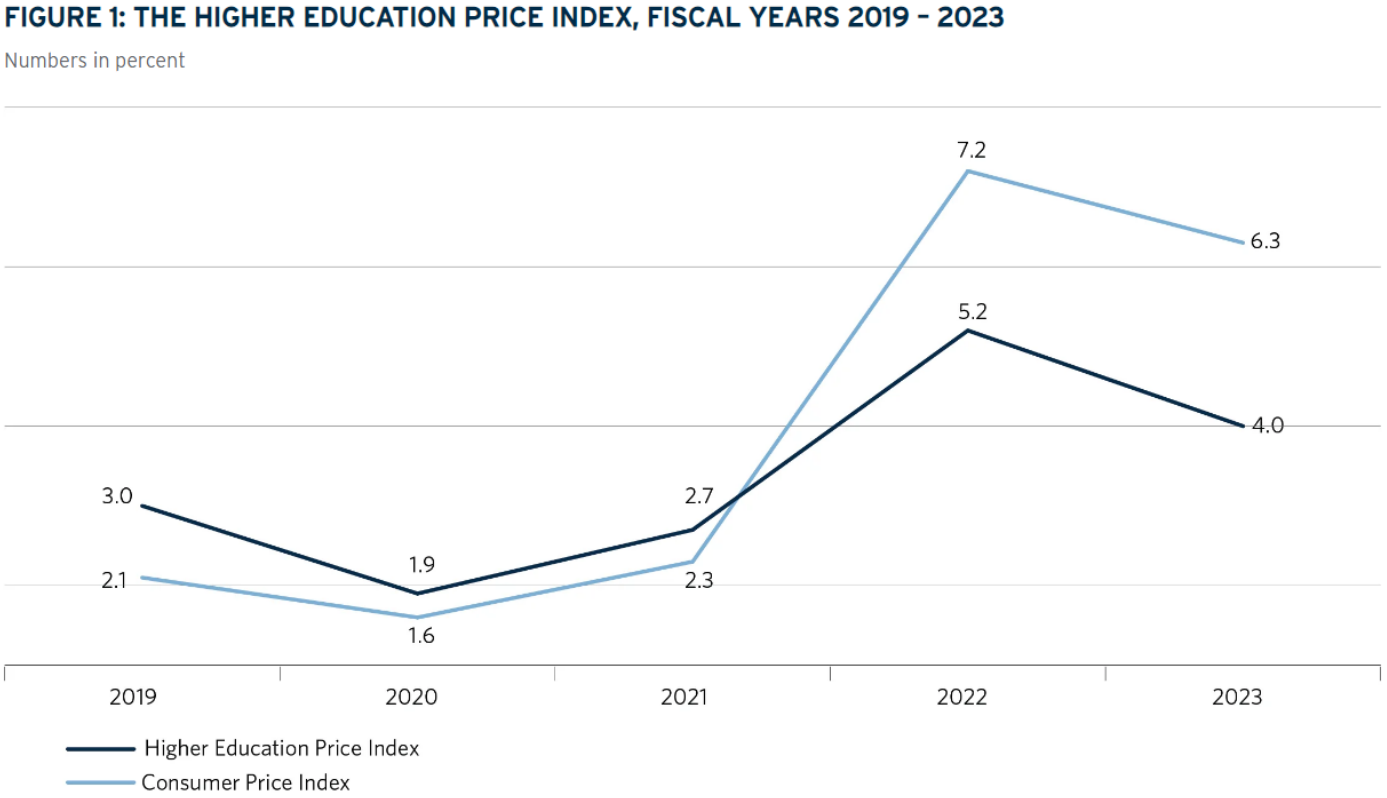
# Higher Education inflation trends below CPI

commonfund




* **Source:** 2023 Commonfund Higher Education Price Index Report



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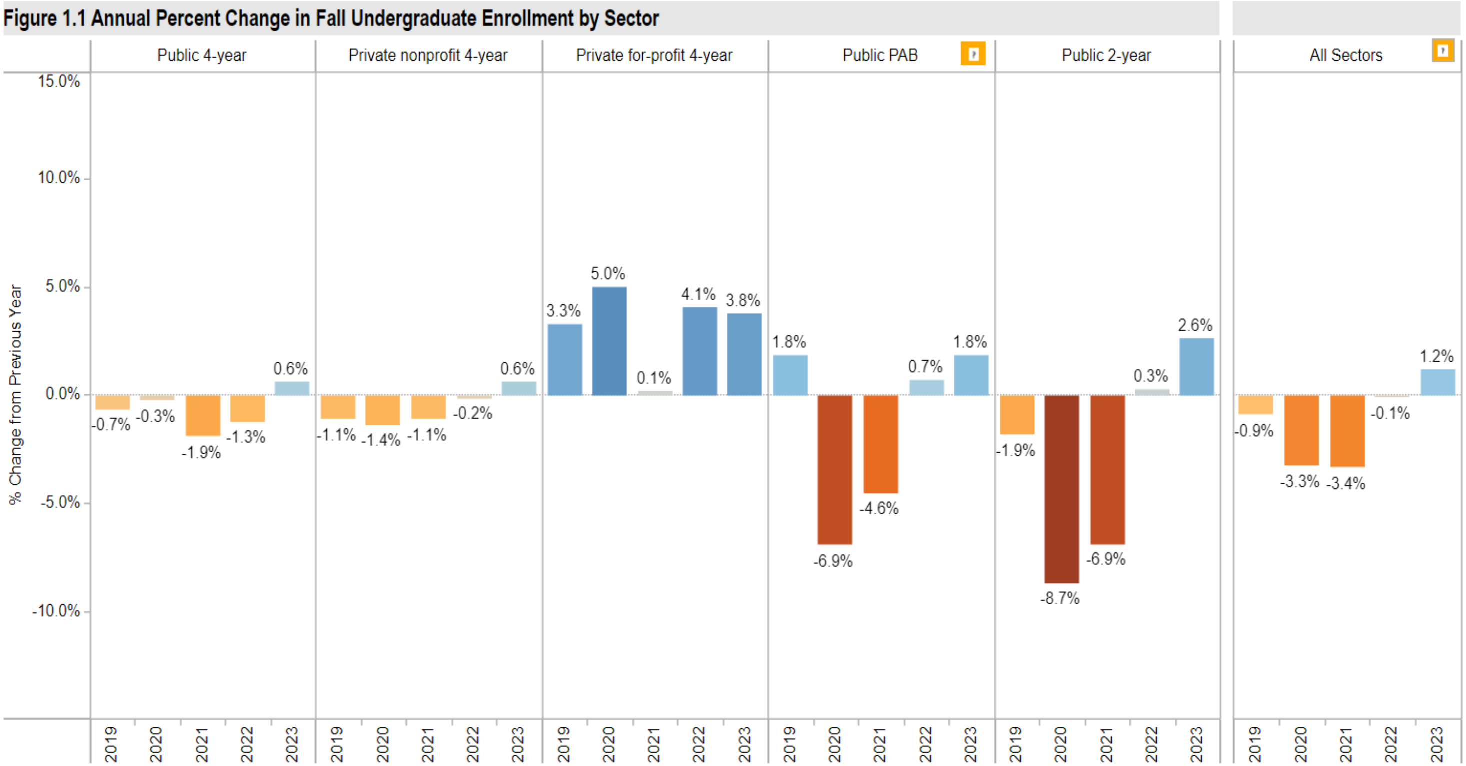
# Enrollment Changes – by sector

While enrollment by sector shows a wide range of variance in enrollment changes, when the sectors are combined enrollment had a small (1.2%) increase from Fall 2022 to Fall 2023, increasing for the first time in the past 3 years.




* PABs are "primarily associate degree granting baccalaureate institutions"



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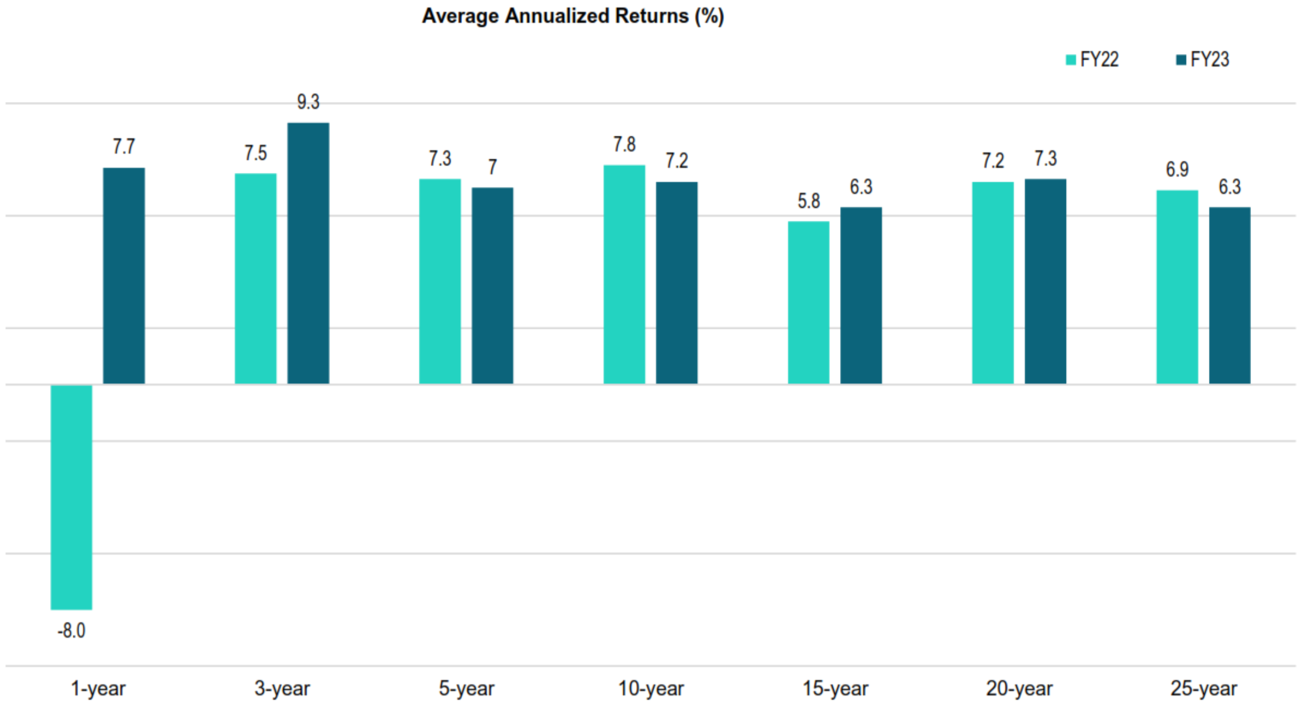
# Endowment returns

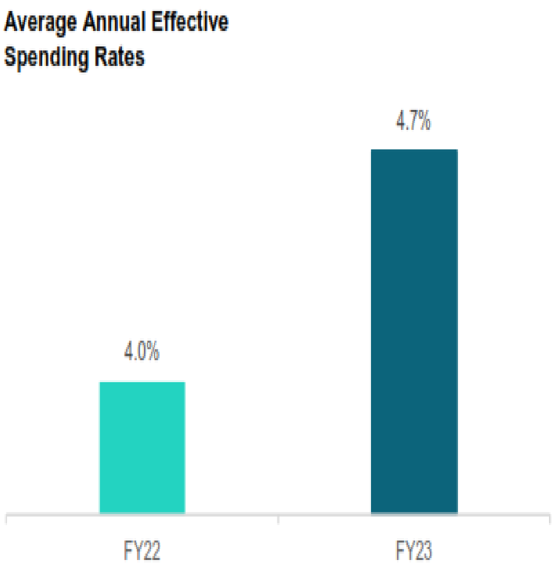
The positive returns endowments generated in FY23 led to an increase in longer-term annualized returns across nearly all time periods. asset allocation was the major factor behind return differences across the seven size cohorts in the NACUBO/ Commonfund study.

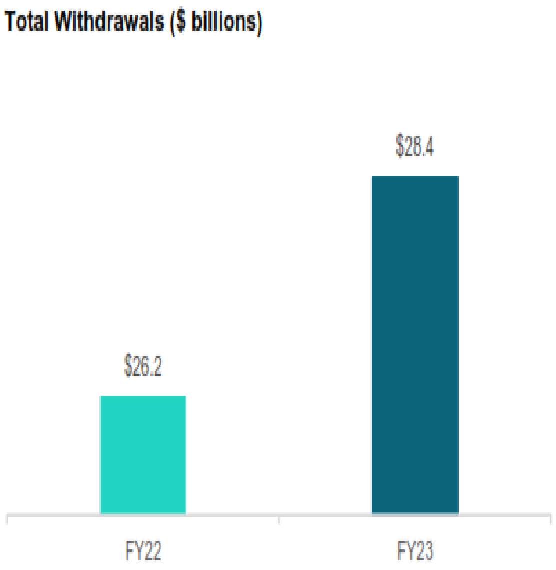


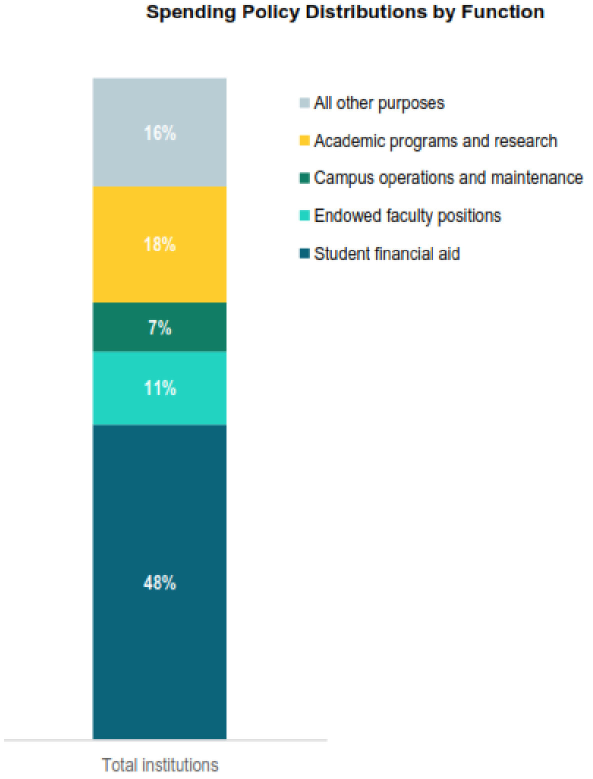

*Source: 2023 NACUBO-Commonfund study of Endowments.

# Both endowment spending and spending rates increased in FY23

## Spending rates and withdrawals survey respondents



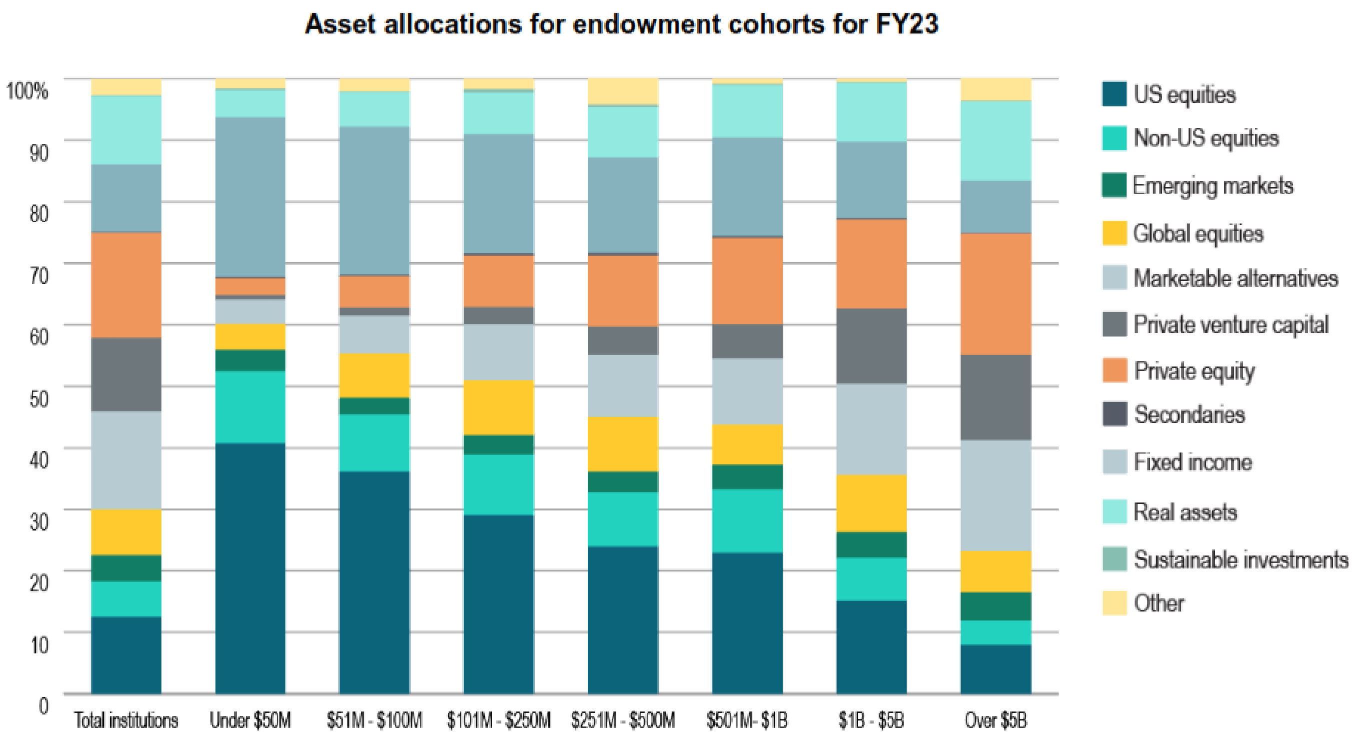




*Source: 2023 NACUBO-Commonfund study of Endowments.

# Endowment asset allocations

Asset allocation has long been recognized as the primary factor behind investment returns.




*Source: 2023 NACUBO-Commonfund study of Endowments.



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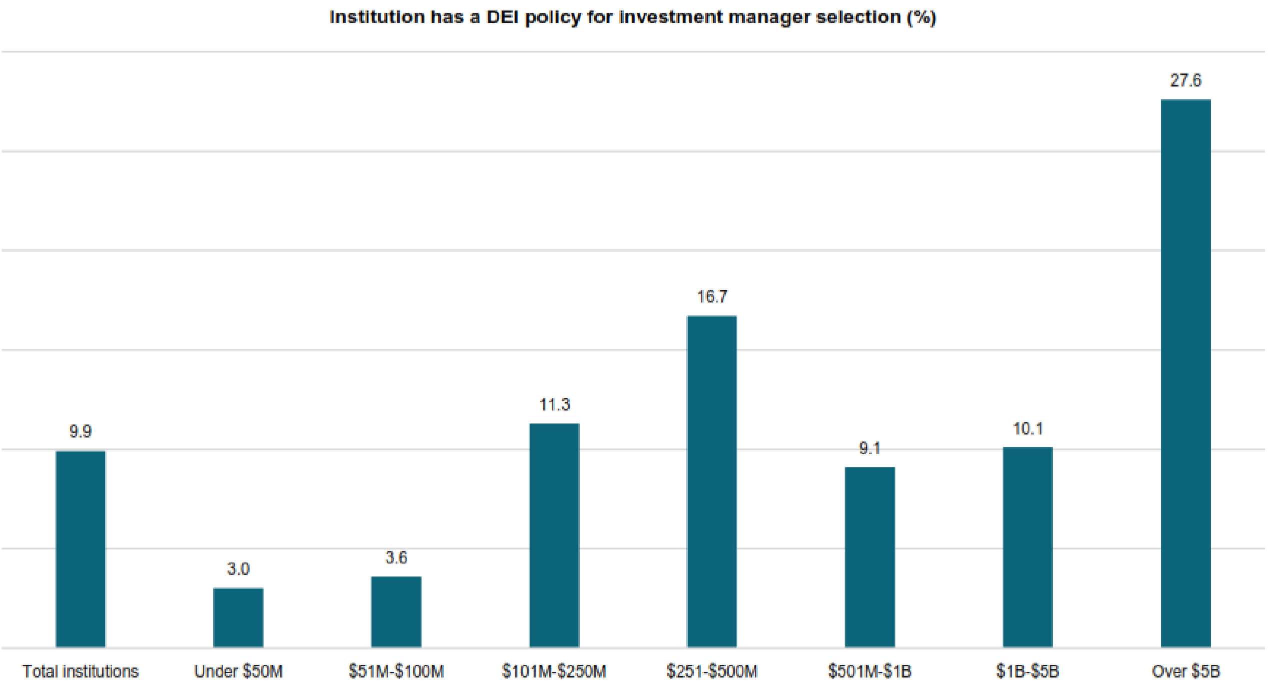
# Investment manager selection and DEI

The percentage of endowments reporting that their institution had a formal policy addressing diversity, equity, and inclusion (DEI) related to investment manager selection saw increases and decreases across all size cohorts in FY23.




*Source: 2023 NACUBO-Commonfund study of Endowments.

EDUCAUSE

# Trends in IT- Educause says "Institutional resilience"

The 2024 EDUCAUSE Top 10 describes the contributions that technology, data, and the workforce will make to advance three dimensions of institutional resilience: mission resilience, operational resilience, and financial resilience.

**#1.** ***Cybersecurity as a Core Competency:*** Balancing cost and risk

**#2.** ***Driving to Better Decisions:*** Improving data quality and governance

**#3.** ***The Enrollment Crisis:*** Harnessing data to empower decision-makers

**#4.** ***Diving Deep into Data:*** Leveraging analytics for actionable insights to improve learning and student success

**#5.** ***Administrative Cost Reduction:*** Streamlining processes, data, and technologies

**#6.** ***Meeting Students Where They Are:*** Providing universal access to institutional services

**#7.** ***Hiring Resilience:*** Recruiting and retaining IT talent under adverse circumstances

**#8.** ***Financial Keys to the Future:*** Using technology and data to help make tough choices

**#9.** ***Balancing Budgets:*** Taking control of IT cost and vendor management

**#10.** ***Adapting to the Future:*** Cultivating institutional agility

* Source: Educause.edu



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# Thought leadership
# for Higher Education Institutions

# Governance IQ – Strengthen your board and audit committee

***Addressing today's higher education governance challenges to effectively advance your mission***

- Monthly governance insights
- Comprehensive board guidebooks
- Dedicated to serving our clients

ARTICLE

**6 actions to take to avoid conflicts of interest**

Tax-exempt organizations can take our 6 actions to help avoid conflicts of interest. Protect your assets and tax-exempt status.

ARTICLE

**3 legal duties every board member must follow**

Make sure you understand and take the right actions.

Sign up at: https://www.grantthornton.com/industries/nfp-higher-education/governance-iq



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# Additional Higher Education resources

PODCAST

**Not-for-Profit: Optimize mission delivery and growth in 2024**

This year, Not-for-profit organizations should position themsel...

ARTICLE

**The right reserves level for your not-for-profit**

Our methodology helps you keep the right amount in reserve.

ARTICLE

**5 ways not-for-profit audit committees can use ERM**

Find out how audit committees can help manage risks.

ARTICLE

**In higher education, Form 990 is a critical test**

Your answers need more scrutiny in three key areas.

Find all of these articles and more at: https://grantthornton.com/nfp



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# Higher Education Board and Audit Committee Guides

GUIDEBOOK

**Higher Education Board Guidebook**

Gain the knowledge you need to be an effective trustee at a higher education institution.

GUIDEBOOK

**Higher Education Audit Committee Guidebook**

Get an overview of the structure and duties of an audit committee at a higher education institution.

Download and share at: https://www.grantthornton.com/industries/nfp-higher-education/governance-iq#guidebooks



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# Webcast resources

Each year, we provide learning and CPE opportunities through our webcast series on a variety of trending topics and regulatory updates relevant to not-for-profit and higher education management and trustees.

## On demand webcasts

**Today's Not-for-Profit & Higher Education Landscape: Redesigning Your Strategy for Growth**

**Today's Not-for-Profit & Higher Education Landscape: Aligning Your Operations with Strategy and Mission**

**Not-for-Profit Accounting and Uniform Guidance Compliance Update**

**Best Practices for Effective Board & Audit Committee Governance**

**The Right Reserves Level for Your Not-for-Profit**

On demand and Registrations at: https://www.grantthornton.com/industries/nfp-higher-education#events-and-webcasts



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# 2024 Annual Audit Presentation

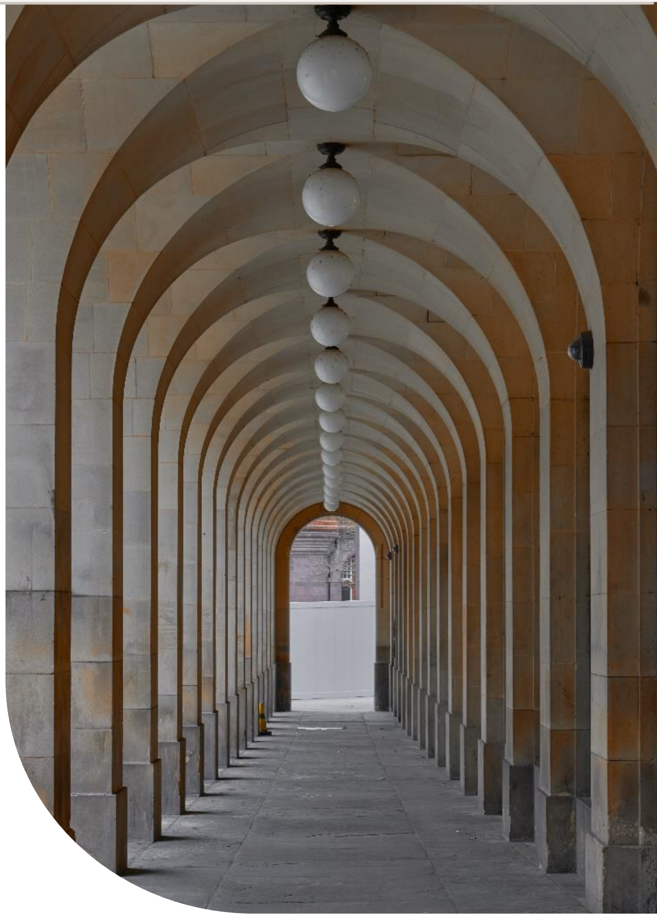
## Connecticut State Colleges and Universities

February 24, 2025

PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

# Agenda





# Audit Status Summary

**As of February 19, 2025, the following items are open to complete:**

- CCC FS and Footnote tie-out
- Final Manager and Partner reviews of testing and draft financial statements (CCC)
- When we are ready to issue our reports, the following items will be requested:
  - Signed management representation letter
  - Legal letter update
  - Concluding management inquiries

**An update regarding status will be provided at the meeting on February 24.**



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# Significant risks

## The following provides an overview of significant risks based on our risk assessments

| Significant risk area | Results |
|---|---|
| **Management override of Controls**<br>Presumed fraud risk and therefore significant risk in all audits | • Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent and detect fraud.<br>• Assess the ability of each entity to segregate duties in its financial reporting, information technology, and at the activity-level.<br>• Conduct interviews of individuals involved in the financial reporting process to understand (1) whether they were requested to make unusual entries during the period and (2) whether they are aware of the possibility of accounting misstatements resulting from adjusting or other entries made during the period.<br>• Perform risk assessment for journal entries and detail test a sample of journal entries based on our risk assessments to ensure propriety of the entries.<br>**No exceptions noted.** |



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# Areas of audit focus

## The following provides an overview of the areas of significant audit focus based on our risk assessments.

| Areas of focus | Results |
|---|---|
| **Tuition revenue, auxiliary enterprises and related receivables/deferred revenue** | • Performed disaggregated revenue analyses analyzing student tuition, fee, and auxiliary revenue relative to enrollment data.<br>• Performed detailed testing of a sample of revenue and aid transactions, agreeing to source documentation<br>• Performed deferred revenue testing to determine proper cut-off.<br>• Tested a sample of student receivable balances by inspecting supporting cash receipt and/or ensuring management's reserve/collections policy followed (only at COSC).<br>• Assessed management's analysis of allowances for doubtful accounts for reasonableness, consistency with methodology and accuracy of inputs (only at COSC).<br>No exceptions noted. |
| **Grant Revenues** | • Performed detailed transaction testing of revenue recognized in the current year.<br>No exceptions noted. |



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# Areas of audit focus, continued

| Areas of focus | Results |
|---|---|
| Net position | • Tested net asset proof to ensure proper classification between net asset categories.<br><br>No exceptions noted |
| Capital Assets | • Rolled forward account balances to ensure completeness<br>• Sampled current year additions by vouching capitalized amount to supporting invoices/contracts<br>• Ensured reasonableness of depreciation expense recorded in the period<br><br>One adjustment to the presentation of capitalized interest in the footnotes of the Universities financial statements was identified and discussed in more detail on page 12. Other than that item, no exceptions noted. |
| Debt | • Confirmed amounts outstanding<br>• Ensured reasonableness of interest expense<br><br>No exceptions noted |



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# Areas of audit focus, continued

| Areas of focus | Results |
|---|---|
| State Appropriations | • Obtained detail of appropriations received from the state and reconciled to the GL.<br>• Confirmed amounts with the state, agree to revenue recorded in the general ledger.<br>• Reviewed receivable balance, reconcile the cash received to amounts outstanding based on confirmations.<br>**See summary of misstatements (pg 8) and internal control deficiencies (pgs 13-15) for identified adjustments related to fringe payments and the related internal control deficiency identified.** |
| Net pension & OPEB liabilities (and related deferred inflows / outflows and expense) | • Reviewed the analysis of accrued postretirement benefit obligations.<br>• Assessed the reasonableness of actuarial assumptions: discount factor, trend rates and cash flows, amongst others.<br>• Tested participant census data.<br>**No exceptions noted** |
| Cash and cash equivalents | • Confirmed material balances and tested reconciliations to the GL.<br>**No exceptions noted** |



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# Areas of audit focus, continued

| Areas of focus | Results |
|---|---|
| **Accounting Estimates** | • The preparation of the CSCU's financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. The most significant estimates relate to the net pension & OPEB liabilities, compensated absences liabilities, useful lives of depreciable assets, allocation of expenses among functional expense classifications, and allowances for student receivables. Our procedures were executed in part, to review these estimates and evaluate their reasonableness.<br>No exceptions noted |
| **Financial statement disclosures** | • Our procedures included an assessment as to the adequacy of the CSCU's financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by US GAAP.<br>**One adjustment to disclosures in the Universities financial statements was identified, related to presentation of capitalized interest (refer to pg 12 for additional details). No other disclosure adjustments were identified.** |



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# Summary of misstatements- Corrected

| Material, corrected misstatements | | Increase (decrease) to (in $000's): | | |
|---|---|---|---|---|
| Entity | Accrued Salaries | Due from State of CT | State Appropriations | Fringe Benefits Expense |
| CSU | $(12,251) | $(12,251) | $(143,675) | $(143,675) |
| CT State | $(1,021) | $(1,021) | $(66,274) | $(66,274) |

To remove the fringe expense and related state appropriation revenue associated with certain fringe payments made directly by the state starting on July 1, 2023. The adjustment reduced fringe benefits expense and state appropriations as well as reducing accrued salaries, offset by Due from state on the statement of net position. There was no impact to the change in net position as a result of these adjustments.



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# Summary of misstatements- Uncorrected

In the FY23 financial statements, an accrual for the fringe payments made by the state in the final pay period of FY23 was recorded. That accrual was not correct and although the FY24 financial statements are not presented comparative with FY23, the MD&A section (unaudited) of the FY24 annual report includes a summary of the FY23 financial statements. Management identified this error in FY24. The condensed schedule of net position and schedule of changes in net position for FY23 have not been adjusted to correct these errors and the impact is presented below. Management has determined these adjustments are not material to the MD&A.

| **uncorrected misstatements** | | **Increase (decrease) to (in $000's):** | | |
|---|---|---|---|---|
| Entity | Accrued Salaries | Due from State of CT | State Appropriations | Fringe Benefits Expense |
| CSU | $(14,311) | $(14,311) | $(14,311) | $(14,311) |
| CT State | $(9,391) | $(9,391) | $(9,391) | $(9,391) |
| Charter Oak State College | $(142) | $(142) | $(142) | $(142) |

**This error was identified by management. The entry decreases fringe benefits expense and state appropriations revenue by the same amount. Similarly, it reduces accrued salaries and is offset by Due from state.**



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# Required communications


- 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
- Use of internal audit
- Related parties and related party transactions
- Significant unusual transactions
- Disagreements with management
- Management's consultations with other accountants
- Significant issues discussed with management

- Significant difficulties encountered during the audit
- Difficult or contentious matters for which we consulted outside the engagement team and that are, in our professional judgment, significant and relevant to you and your oversight responsibilities
- 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



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# Additional information on relevant required communications

| Topic | Description of matter(s) |
|---|---|
| Difficulties encountered during the audit | 1) During the audits of the FY24 financial statements, GT obtains cash and state appropriation confirmations from the State of CT Comptrollers office. The confirmation and reconciliation process for all three entities involved extensive delays and confirms not appropriately completed and reconciled to cash balances reported by CSUS, CT State and Charter Oak. We recommend that management perform a reconciliation of these accounts with the contact at the State as part of the annual close process to ensure balances are confirmed in a timely manner going forward.<br>2) Because of the open position in the controller's office, the audits of CSUS and CT State were not completed in a timely manner, in accordance with deadlines required by the State of CT. |
| Emphasis of Matter | When there are significant changes in accounting due to a change in accounting policy that impacts the presentation in the financial statements such that financial statements are not comparable to a prior year (regardless of whether the financial statements are presented in a comparative format or not), professional standards requires that we consider whether it would be appropriate to include an Emphasis of a Matter in our report to highlight this change. Because of the significance of the change from FY23 to FY24 as it relates to state appropriation revenue and fringe expense, we have concluded it is necessary to include a reference in our opinion. We will provide draft language prior to issuing our reports. |



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# Quality of accounting practices

| Topic | Discussion |
|---|---|
| **Accounting policies** | There was a change in accounting policy for fringe payments during the current year. Effective as of July 1, 2023, new state of CT legislation was passed that mandates all retirement costs of the System for state employees will be covered by the state (i.e., paid directly by the State, as opposed to being paid by the System and receiving State Appropriations to cover those costs incurred by the System). As such, the System will no longer record revenues or expenses for these fringe expenses. The System will continue to be responsible for all other non-retirement fringe benefit costs for their employees. |
| **Accounting estimates** | Significant estimates include:<br>• Net pension and OPEB liability, and related deferred inflows / outflows<br>• Liability for compensated absences<br>• Useful lives of depreciable assets<br>• Allocation of expenses among functional expense classifications<br>• Allowance for student receivables<br>• Term of certain leases and subscription-based IT arrangements with option periods to be exercised at a future date |
| **Disclosures** | During the FY24 audit, GT identified an error in the presentation of capitalized interest in the capital asset table in Note 5 of the Universities financial statements. Capitalized interest should be reported within buildings and building improvements rather than in construction in process. Net PPE is correctly presented, so there is no error to the statement of net position. The reclassification from CIP to depreciable assets is $16.7M as of 6/30/24. Management determined this reclassification is immaterial and will revisit the correction in FY25. There are no other errors noted, disclosures are generally consistent with prior year. |
| **Other related matters** | None noted |



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# Internal control matters

## Responsibility

We are responsible for obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our audits 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.



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# Internal control matters

## Definitions

The objective of the audit was to report on the financial statements as a whole and not to provide assurance on internal control over financial reporting.

### Control deficiency

A deficiency in internal control 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

### Significant deficiency

A deficiency, or 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

### Material weakness

A deficiency, or 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.



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# Internal control matters (continued)

## Material weakness

Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, might be material weaknesses. Therefore, material weaknesses may exist that were not identified. We consider the following identified control deficiency to be a material weakness.

| Description of material weakness | Recommendations |
|---|---|
| As part of an effective system of internal control, there needs to be an individual or individuals who understand and can apply technical accounting concepts to the financial reporting of the entity. During the year, the controller position for the Universities System Office and CT State was vacant for an extended period. These two entities rely on that position to address technical accounting matters, among other responsibilities. During FY24, there was a change in legislature resulting in a change related to payments for certain fringe benefits. Because the position was open during the annual financial statement close process, and the Universities and CT State placed reliance on that controller position to address complex changes in accounting, the change in accounting for certain fringe benefits was incorrectly reflected in the draft financial statements and resulted in a material error in the draft financial statements of the Universities and CT State. | The controller position must be filled with someone who has the requisite, knowledge, skills and experience to assume responsibility for overseeing the accounting policies and applying changes in accounting and financial reporting to the financial statements of the Universities and CT State. In addition, the Finance department should identify other individuals within the organization that can support the controller in that role, to avoid reliance on a sole individual to carry out important elements of the internal control structure. |



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# Use of the work of other auditors

| Other auditor | Nature of work performed |
| --- | --- |
| Foundations | Each of the Foundations has 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 and related accounts | The State 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 and related deferred inflows/outflows and pension/OPEB expense. Grant Thornton assesses the qualifications of the APA and takes responsibility for their work. |



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# Other information in the company's annual report

## Management responsibilities

Management is responsible for the other information included in the annual report. The other information comprises Management's Discussion and Analysis, Required Supplementary Information, and Supplementary Schedules.

## Procedures performed

We read the other information and compared selected amounts or other items in the other information with such amounts or other items in the financial statements.

## Auditor responsibilities

Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Results

We did not identify any material inconsistencies between the other information and the financial information other than the adjustment to certain accounts as a result of the change in fringe payments. Refer to page x for additional details.



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# Auditor independence

## Our firm maintains a robust quality control system supported by comprehensive policies and procedures that meets or exceeds regulatory requirements. Our system enables us to evaluate and maintain our independence and serve audit clients with requisite integrity, objectivity, and independence. As you exercise your oversight responsibilities, you should understand the more significant aspects of this system:

- Accumulating and communicating relevant information, including a restricted-entity list and use of a tracking system to monitor the financial interests of our worldwide personnel
- Obtaining annual written confirmations of compliance from personnel and member firms
- Monitoring individual compliance, including periodic audits and disciplinary mechanisms
- Conducting a domestic or international relationship check through a robust Relationship Checking System
- Evaluating relationships and circumstances that create threats to independence, including relationships identified through a domestic or international check

### Monitoring independence for new opportunities

Only permitted nonaudit services or business relationships are cleared, and such services or relationships are monitored for scope creep. As necessary, our firm applies appropriate safeguards to eliminate or mitigate independence threat(s) to an acceptable level. As necessary, or as required by a regulator, the engagement partner will discuss with management and/or the audit committee any potential independence threats or where additional input is needed in relation to our firm's independence evaluation.



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# New Mountain Capital (NMC) investment and APS independence considerations

## ALTERNATIVE PRACTICE STRUCTURE (APS)

### Grant Thornton LLP

- Licensed CPA firm that will continue to provide audit and attest services

### Grant Thornton Advisors LLC

- Advisory and non-attest entity, which is receiving NMC's investment

### Independence considerations

- The APS does not change independence or ethical requirements for either firm or their professionals
- Grant Thornton LLP has established ongoing monitoring procedures to protect independence of audit clients under the new structure

## COORDINATION

### Relationships with NMC or GT Advisors LLC

- Identify and evaluate existing or potential business or financial relationships that the Company or its affiliates may have with NMC (e.g., a lending relationship from a NMC credit fund) to allow for timely independence evaluations and discussions
- Identify and evaluate other types of relationships that the Company or its affiliates may have with GT Advisors LLC (e.g., an investment or participation in the debt of GT Advisors LLC) to allow for timely independence evaluations and discussions

## AUDIT PROCEDURES GOING FORWARD

### The engagement team will:

- Inquire of management regarding any business or financial relationships with NMC or investments in or participation in the debt of GT Advisors LLC
- Evaluate relationships for independence purposes and discuss with national office or subject matter experts, as appropriate
- Obtain new written representations from management that, to the best of their knowledge, they have disclosed any relationships with NMC or GT Advisors LLC that may exist or are being considered
- Follow applicable communication requirements for relationships that may bear on the firm's independence



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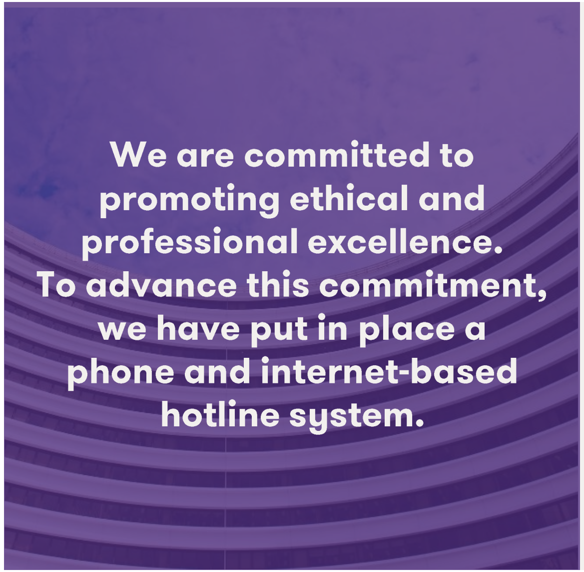
# Commitment to promote ethical and professional excellence




**The Ethics Hotline**
(1.866.739.4134) provides individuals a means to call and report ethical concerns.

**The EthicsPoint URL**
link can be accessed from our external website or through this link:
https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191

**Disclaimer:** EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.



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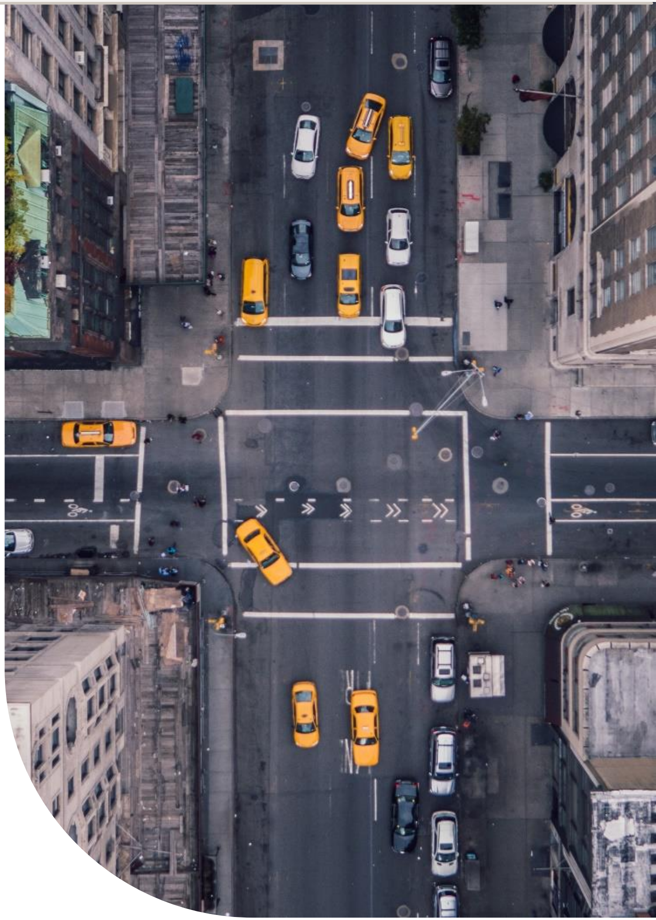
# Appendix

## Management representation letters (draft)



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(Entity letterhead)

February 24, 2025

Grant Thornton LLP
53 State Street
Boston, MA 02109

Dear Sir or Madam,

We are providing this letter in connection with your audit of the financial statements of the Connecticut State University System (the "Entity"), which comprise the business-type activities and aggregate discretely presented component units as of and for the year ended June 30, 2024 and the related notes to the financial statements. We understand that your audit was made for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and whether the supplementary information is fairly presented, in all material respects, in relation to the financial statements as a whole.

We have fulfilled our responsibility, as set out in the terms of the Engagement Letter, for the preparation and fair presentation in the financial statements of the respective financial position of the business-type activities and the aggregate discretely presented component units and the respective changes in financial position and cash flows, where applicable, in accordance with US GAAP. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud, including programs and controls to prevent and detect fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of the surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of February 24, 2025 the following representations made to you during your audit.

1. The financial statements referred to above, including the related notes, have been prepared and are fairly presented in accordance with US GAAP.

2. The financial statements include all component units and properly disclose all other related organizations.

3. We have provided you with:
   a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, including all financial records, documentation of internal control over financial reporting, and related information
   b. Additional information you have requested for audit purposes
   c. Unrestricted access to persons from whom you determined it necessary to obtain audit evidence
   d. Minutes of the meetings of regents and committees of regents or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

4. There have been no communications, written or oral, from regulatory agencies or others concerning noncompliance with, or deficiencies in, financial reporting practices.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements. The adjusting journal entries for the period ended June 30, 2024, which have been proposed by you, are approved by us and will also be recorded in the Entity's accounting records.

6. We believe that the effects of the uncorrected financial statement misstatements, including omitted, inaccurate, or incomplete disclosures, in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements as a whole.

7. We have disclosed to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting of which we are aware.

8. The entity has not established policies related to the use of generative AI technology nor has the entity deployed such technology for use in financial reporting or internal control over financial reporting.

9. We understand that generative AI (genAI) refers to a subset of deep learning based on probabilistic technology that can create content, including text, images, audio, or video, when prompted by a user. We have not deployed genAI technology for use in financial reporting or internal control over reporting.

10. There are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have no knowledge of fraud or suspected fraud affecting the Entity involving:
    a. Management
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

13. There are no known violations or possible violations of, or no known instances of noncompliance or suspected noncompliance with, laws and regulations whose effects should be considered by management when preparing the financial statements, as a basis for recording a loss contingency or for disclosure. We have complied with all provisions of laws, regulations, contracts and grant agreements and other matters, including all laws and regulations in adopting, approving and amending budgets.

14. The Entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of a noncompliance.

15. The Entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

16. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

    Events or changes in circumstances may include a significant decrease in the market price, change in the use of an asset, adverse changes in the business or legal climate, loss of customers, operating or cash flow losses, an expectation to sell assets before the end of the previously estimated life, and costs in excess of amounts to acquire or build an asset.

17. Leases have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 87, *Leases*.

18. The Entity has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and has disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings And Direct Placements*.

19. The Entity has properly disclosed or recognized conduit debt obligations or certain arrangements associated with conduit debt obligations in accordance with GASB Statement No. 91, *Conduit Debt Obligations*.

20. Public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

21. Subscription-based information technology arrangements (SBITAs) have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

22. The government has properly measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB Statement No. 101, *Compensated Absences*.

23. We have disclosed to you the identity of all the Entity's related parties and all related party relationships and transactions of which we are aware. Related party relationships and transactions and related amounts receivable from or payable to related parties (including sales, purchases, loans, transfers, leasing arrangements, and guarantees) have been properly accounted for and disclosed in the financial statements in accordance with US GAAP.

    We understand that "related parties" include (1) affiliates of the Entity; (2) entities for which investments in their equity securities would be required to be accounted for by the equity method by the investing entity; (3) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (4) principal owners of the Entity and members of their immediate families; and (5) management of the Entity and members of their immediate families.

    Related parties also include (1) other parties with which the Entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (2) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

24. We have no knowledge of any business relationships, financial relationships, or other relationships that the Entity or its downstream affiliates (subsidiaries or investees) has with New Mountain Capital or its affiliates. We also acknowledge our responsibility for communicating to you all relationships, including business relationships, financial relationships, or other relationships, that the Entity or its downstream affiliates (subsidiaries or investees) are considering with New Mountain Capital or its affiliates. We have not identified any such relationships.

    We understand that "business relationships" include (1) teaming arrangements, (2) alliances, (3) joint investments or joint ventures, and (4) vendor in the ordinary course arrangements. We also understand that "financial relationships" include (1) direct financial investments, (2) material, indirect financial investments, and (3) lending relationships.

25. We have no knowledge of any participation in, investment in, purchase of, or ownership of the debt of Grant Thornton Advisors LLC by the Entity or its downstream affiliates (subsidiaries or investees). We have informed the appropriate individuals that make investment decisions for the Entity and its downstream affiliates (subsidiaries or investees), including any investment committee and third-party investment advisors, if applicable, that participating in, investing in, purchasing, or owning the debt of Grant Thornton Advisors LLC may impair your independence. We also acknowledge that, if it comes to our attention that the Entity or its downstream affiliates (subsidiaries or investees) are considering participating in, investing in, purchasing, or otherwise owning the debt of Grant Thornton Advisors LLC, we will bring such matters to your attention immediately for further discussion and evaluation.

26. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with Governmental Accounts Standards Board ("GASB") Statement No.2 ("GASB-62"), Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements are properly disclosed in the financial statements.

    Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

27. The methods, significant assumptions, and data used in making accounting estimates and the related disclosures, including those measured at fair value, are reasonable, are consistently applied, and result in a measurement appropriate to achieve recognition, measurement, or disclosure for financial statement and

disclosure purposes in accordance with the financial reporting framework. In addition, the data used in making accounting estimates is accurate and complete. No events have occurred subsequent to the date of the financial statements through the date of this letter that would require adjustment to these estimates and fair value measurements, or the related disclosures included in the financial statements.

28. In accordance with GASB Statement No.72, *Fair Value Measurements and Application* the Entity has categorized its financial instruments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs that are used to measure the securities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

29. There are no financial instruments with off-balance sheet risk or financial instruments with concentrations of credit risk.

30. There are no guarantees, whether written or oral, under which the Entity is contingently liable.

31. All funds that meet the quantitative criteria in GASB Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended, and No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

32. Component of net position (net investment in capital assets, restricted and unrestricted) are properly classified and, if applicable, approved.

33. Provisions for uncollectible receivables have been properly identified and recorded.

34. Expenses have been appropriately classified in or allocated to functions and programs in the state of activities, and allocations have been made on a reasonable basis.

35. Interfund, internal, and intra-entry activity and balances have been appropriately classified and reported.

36. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.

37. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

38. The policy regarding whether to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the net position is properly recognized under the policy.

39. There are no known actual or possible litigation, claims, or assessments that our legal counsel has advised us are probable of assertion whose effects should be considered by management when preparing the financial statements and that should be accounted for and disclosed in accordance with GASB-62 other than those communicated to you during the audit process.

40. There are no other liabilities or gain or loss contingencies that are required to be accounted for or disclosed in accordance with GASB-62 except as disclosed in the financial statements.

41. The Entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral except as disclosed in the financial statements.

42. We acknowledge our responsibility for the preparation and presentation of the supplementary information in accordance with requirements of GASB. Such supplementary information, including its form and content, is fairly

presented in accordance therewith. The methods of measurement and presentation of the supplementary information are consistent with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the supplementary information.

43. We acknowledge our responsibility for the required supplementary information), which GASB considers to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Such required supplementary information is measured and presented in accordance with GASB. The methods of measurement and presentation of the required supplementary information are consistent with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information.

44. We have provided you with all the documents that comprise other information in the Entity's annual report. In addition, the financial statements and the other information are consistent with one another, and the other information does not contain material misstatements. A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading.

45. The Entity's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements, as necessary, under GASB requirements.

46. We acknowledge our responsibility for the Schedule of the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability, which the GASB considers to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such required supplementary information is measured and presented in accordance with GASB Statements 68 and 75. The methods of measurement and presentation of the required supplementary information related to GASB 68 are consistent with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. All events subsequent to the date of the financial statements through the date of this letter and for which US GAAP requires recognition or disclosure have been recognized or disclosed.

47. No events have occurred subsequent to the date of the financial statements through the date of this letter that would require, in accordance with US GAAP, recognition or disclosure in the financial statements.

**Connecticut State University System**

________________________________________

Terrence Cheng, Chancellor

________________________________________

Lloyd Blanchard, Vice President for Administration and CFO

Misstatement in MD&A:

| | Description of misstatement | Identified by | Type of misstatement | Identified in current or prior period? | Account name or financial information line item | Amount DR (CR) | Assets | Liabilities | Net Position | Net income |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | To reserve an FY23 accrual for certain fringe payments made directly by the State- impacts MD&A only | Management | Factual | Current | Fringe Expense | 14,311,246 | - | - | - | (14,311,246) |
| | | | | | Accrued Fringe Payable | (14,311,246) | - | (14,311,246) | - | - |
| | | | | | Due from state | 14,311,246 | 14,311,246 | - | - | - |
| | | | | | State Appropriations | (14,311,246) | - | - | - | 14,311,246 |
| | | | | | *Check* | - | | | | |

| | Assets | Liabilities | Net Position | Net income |
|---|---|---|---|---|
| | 14,311,246 | (14,311,246) | - | - |
| | - | - | - | - |
| | 14,311,246 | (14,311,246) | - | - |
| | 1,911,633,067 | 1,899,190,324 | 535,528,813 | 25,402,425 |
| **Total uncorrected misstatements as a percentage of component financial information** | 0.7% | -0.8% | 0.0% | 0.0% |

Disclosure misstatement:

| | Description of misstatement | Identified by | Identified in current or prior period? | Amount (if applicable) | Corrected? | Management's reasons for not correcting (if uncorrected) | Cause of misstatement and, if applicable, related control deficiency |
|---|---|---|---|---|---|---|---|
| 1 | Reclassification of Cap interest from CIP to Buildings/Building Improvements | Component auditor | Current | $16.7M | No | Management notes this reclassification is immaterial to the current year financials as net PPE is correctly presented with no error to the statement of Net position. | During the FY24 audit, GT identified an error in the presentation of capitalized interest in the capital asset table in Note 5 of the Universities financial statements. Capitalized interest should be reported within buildings and building improvements rather than in construction in process. |

(Entity letterhead)

February XX, 2025

Grant Thornton LLP
53 State Street
Boston, MA 02109

Dear Sir or Madam,

We are providing this letter in connection with your audit of the financial statements of the Connecticut State Community College (the "Entity"), which comprise the business-type activities and aggregate discretely presented component units as of and for the year ended June 30, 2024 and the related notes to the financial statements. We understand that your audit was made for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and whether the supplementary information is fairly presented, in all material respects, in relation to the financial statements as a whole.

We have fulfilled our responsibility, as set out in the terms of the Engagement Letter, for the preparation and fair presentation in the financial statements of the respective financial position of the business-type activities and the aggregate discretely presented component units and the respective changes in financial position and cash flows, where applicable, in accordance with US GAAP. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud, including programs and controls to prevent and detect fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of the surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of February XX, 2025 the following representations made to you during your audit.

1. The financial statements referred to above, including the related notes, have been prepared and are fairly presented in accordance with US GAAP.

2. The financial statements include all component units and properly disclose all other related organizations.

3. We have provided you with:
   a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, including all financial records, documentation of internal control over financial reporting, and related information
   b. Additional information you have requested for audit purposes
   c. Unrestricted access to persons from whom you determined it necessary to obtain audit evidence
   d. Minutes of the meetings of regents, and committees of regents or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

4. There have been no communications, written or oral, from regulatory agencies or others concerning noncompliance with, or deficiencies in, financial reporting practices.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements. The adjusting journal entries for the period ended June 30, 2024, which have been proposed by you, are approved by us and will also be recorded in the Entity's accounting records

6. We believe that the effects of the uncorrected financial statement misstatements, including omitted, inaccurate, or incomplete disclosures, in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements as a whole.

7. We have disclosed to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting of which we are aware.

8. The entity has not established policies related to the use of generative AI technology nor has the entity deployed such technology for use in financial reporting or internal control over financial reporting.

9. We understand that generative AI (genAI) refers to a subset of deep learning based on probabilistic technology that can create content, including text, images, audio, or video, when prompted by a user. We have not deployed genAI technology for use in financial reporting or internal control over reporting.

10. There are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have no knowledge of fraud or suspected fraud affecting the Entity involving:
    a. Management
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

13. There are no known violations or possible violations of, or no known instances of noncompliance or suspected noncompliance with, laws and regulations whose effects should be considered by management when preparing the financial statements, as a basis for recording a loss contingency or for disclosure. We have complied with all provisions of laws, regulations, contracts and grant agreements and other matters, including all laws and regulations in adopting, approving and amending budgets.

14. The Entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of a noncompliance.

15. The Entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

16. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

    Events or changes in circumstances may include a significant decrease in the market price, change in the use of an asset, adverse changes in the business or legal climate, loss of customers, operating or cash flow losses, an expectation to sell assets before the end of the previously estimated life, and costs in excess of amounts to acquire or build an asset.

17. Leases have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 87, *Leases*.

18. The Entity has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and has disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings And Direct Placements*.

19. The Entity has properly disclosed or recognized conduit debt obligations or certain arrangements associated with conduit debt obligations in accordance with GASB Statement No. 91, *Conduit Debt Obligations*.

20. Public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

21. Subscription-based information technology arrangements (SBITAs) have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

22. The government has properly measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB Statement No. 101, *Compensated Absences*.We have disclosed to you the identity of all the Entity's related parties and all related party relationships and transactions of which we are aware. Related party relationships and transactions and related amounts receivable from or payable to related parties (including sales, purchases, loans, transfers, leasing arrangements, and guarantees) have been properly accounted for and disclosed in the financial statements in accordance with US GAAP.

    We understand that "related parties" include (1) affiliates of the Entity; (2) entities for which investments in their equity securities would be required to be accounted for by the equity method by the investing entity; (3) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (4) principal owners of the Entity and members of their immediate families; and (5) management of the Entity and members of their immediate families.

    Related parties also include (1) other parties with which the Entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (2) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

23. We have no knowledge of any business relationships, financial relationships, or other relationships that the Entity or its downstream affiliates (subsidiaries or investees) has with New Mountain Capital or its affiliates. We also acknowledge our responsibility for communicating to you all relationships, including business relationships, financial relationships, or other relationships, that the Entity or its downstream affiliates (subsidiaries or investees) are considering with New Mountain Capital or its affiliates. We have not identified any such relationships.

    We understand that "business relationships" include (1) teaming arrangements, (2) alliances, (3) joint investments or joint ventures, and (4) vendor in the ordinary course arrangements. We also understand that "financial relationships" include (1) direct financial investments, (2) material, indirect financial investments, and (3) lending relationships.

24. We have no knowledge of any participation in, investment in, purchase of, or ownership of the debt of Grant Thornton Advisors LLC by the Entity or its downstream affiliates (subsidiaries or investees). We have informed the appropriate individuals that make investment decisions for the Entity and its downstream affiliates (subsidiaries or investees), including any investment committee and third-party investment advisors, if applicable, that participating in, investing in, purchasing, or owning the debt of Grant Thornton Advisors LLC may impair your independence. We also acknowledge that, if it comes to our attention that the Entity or its downstream affiliates (subsidiaries or investees) are considering participating in, investing in, purchasing, or otherwise owning the debt of Grant Thornton Advisors LLC, we will bring such matters to your attention immediately for further discussion and evaluation.

25. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with Governmental Accounts Standards Board ("GASB") Statement No.2 ("GASB-62"), Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements are properly disclosed in the financial statements.

    Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

26. The methods, significant assumptions, and data used in making accounting estimates and the related disclosures, including those measured at fair value, are reasonable, are consistently applied, and result in a measurement appropriate to achieve recognition, measurement, or disclosure for financial statement and disclosure purposes in accordance with the financial reporting framework. In addition, the data used in making accounting estimates is accurate and complete. No events have occurred subsequent to the date of the financial

statements through the date of this letter that would require adjustment to these estimates and fair value measurements, or the related disclosures included in the financial statements.

27. In accordance with GASB Statement No.72, *Fair Value Measurements and Application* the Entity has categorized its financial instruments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs that are used to measure the securities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

28. There are no financial instruments with off-balance sheet risk or financial instruments with concentrations of credit risk.

29. There are no guarantees, whether written or oral, under which the Entity is contingently liable.

30. All funds that meet the quantitative criteria in GASB Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended, and No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

31. Components of net position (net investment in capital assets, restricted and unrestricted) are properly classified and, if applicable, approved.

32. Provisions for uncollectible receivables have been properly identified and recorded.

33. Expenses have been appropriately classified in or allocated to functions and programs in the state of activities, and allocations have been made on a reasonable basis.

34. Interfund, internal, and intra-entry activity and balances have been appropriately classified and reported.

35. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.

36. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

37. The policy regarding whether to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the net position is properly recognized under the policy.

38. There are no known actual or possible litigation, claims, or assessments that our legal counsel has advised us are probable of assertion whose effects should be considered by management when preparing the financial statements and that should be accounted for and disclosed in accordance with GASB-62 other than those communicated to you during the audit process.

39. There are no other liabilities or gain or loss contingencies that are required to be accounted for or disclosed in accordance with GASB-62 except as disclosed in the financial statements.

40. The Entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral except as disclosed in the financial statements.

41. We acknowledge our responsibility for the preparation and presentation of the supplementary information in accordance with requirements of GASB. Such supplementary information, including its form and content, is fairly presented in accordance therewith. The methods of measurement and presentation of the supplementary information are consistent with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the supplementary information.

42. We acknowledge our responsibility for the required supplementary information, which GASB considers to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Such required supplementary information is measured and presented in accordance with GASB. The methods of measurement and presentation of the required supplementary information are consistent

with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information.

43. We have provided you with all the documents that comprise other information in the Entity's annual report. In addition, the financial statements and the other information are consistent with one another, and the other information does not contain material misstatements. A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading.

44. The Entity's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements, as necessary, under GASB requirements.

45. We acknowledge our responsibility for the Schedule of the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability, which the GASB considers to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such required supplementary information is measured and presented in accordance with GASB Statements 68 and 75. The methods of measurement and presentation of the required supplementary information related to GASB 68 are consistent with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. All events subsequent to the date of the financial statements through the date of this letter and for which US GAAP requires recognition or disclosure have been recognized or disclosed.

46. No events have occurred subsequent to the date of the financial statements through the date of this letter that would require, in accordance with US GAAP, recognition or disclosure in the financial statements.

**CONNECTICUT STATE COMMUNITY COLLEGE**

________________________________________

Terrence Cheng, Chancellor

________________________________________

Lloyd Blanchard, Vice President for Administration and CFO

| | Description of misstatement | Identified by | Type of misstatement | Identified in current or prior period? | Account name or financial information line item | Amount DR (CR) | Assets | Liabilities | Equity | Net income |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | GT notes during the current year, management found the CSCU system are governmental entities and not separate legal entities from the State of Connecticut, the on-behalf payments made by the State Comptroller for fringe benefits do not require separate recording under GASB 24. The university system found the balance would also have a PY reversing impact however concluding the impact to be immaterial | Management | Projected | Prior | Fringe Expense | 9,391,000 | - | - | - | (9,391,000) |
| | | | | | Accrued Fringe Payable | (9,391,000) | - | (9,391,000) | - | - |
| | | | | | Due from state | 9,391,000 | 9,391,000 | - | - | - |
| | | | | | State Appropriations | (9,391,000) | - | - | - | 9,391,000 |
| | | | | | *Check* | - | | | | |

| | Assets | Liabilities | Equity | Net income |
|---|---|---|---|---|
| | 9,391,000 | (9,391,000) | - | - |
| | - | - | - | - |
| | 9,391,000 | (9,391,000) | - | - |
| | 1,024,964,431 | 1,354,930,383 | 747,477,947 | 33,196,671 |
| **Total uncorrected misstatements, net of tax, as a percentage of component financial information** | 0.9% | -0.7% | 0.0% | 0.0% |

(Entity letterhead)

February 24, 2025

Grant Thornton LLP
53 State Street
Boston, MA 02109

Dear Sir or Madam,

We are providing this letter in connection with your audit of the financial statements of Charter Oak State College (the "Entity"), which comprise the business-type activities and aggregate discretely presented component units as of and for the year ended June 30, 2024 and the related notes to the financial statements. We understand that your audit was made for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and whether the supplementary information is fairly presented, in all material respects, in relation to the financial statements as a whole.

We have fulfilled our responsibility, as set out in the terms of the Engagement Letter, for the preparation and fair presentation in the financial statements of the respective financial position of the business-type activities and the aggregate discretely presented component units and the respective changes in financial position and cash flows, where applicable, in accordance with US GAAP. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud, including programs and controls to prevent and detect fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of the surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of February 24, 2025 the following representations made to you during your audit.

1. The financial statements referred to above, including the related notes, have been prepared and are fairly presented in accordance with US GAAP.

2. The financial statements include all component units and properly disclose all other related organizations.

3. We have provided you with:
   a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, including all financial records, documentation of internal control over financial reporting, and related information
   b. Additional information you have requested for audit purposes
   c. Unrestricted access to persons from whom you determined it necessary to obtain audit evidence
   d. Minutes of the meetings of regents and committees of regents or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

4. There have been no communications, written or oral, from regulatory agencies or others concerning noncompliance with, or deficiencies in, financial reporting practices.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We believe that the effects of the uncorrected financial statement misstatements, including omitted, inaccurate, or incomplete disclosures, in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements as a whole.

7. There are no significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting of which we are aware.

8. The entity has not established policies related to the use of generative AI technology nor has the entity deployed such technology for use in financial reporting or internal control over financial reporting.

9. We understand that generative AI (genAI) refers to a subset of deep learning based on probabilistic technology that can create content, including text, images, audio, or video, when prompted by a user. We have not deployed genAI technology for use in financial reporting or internal control over reporting.

10. There are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have no knowledge of fraud or suspected fraud affecting the Entity involving:
    a. Management
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

12. We have no knowledge of any allegations of fraud or suspected fraud affecting the Entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

13. There are no known violations or possible violations of, or no known instances of noncompliance or suspected noncompliance with, laws and regulations whose effects should be considered by management when preparing the financial statements, as a basis for recording a loss contingency or for disclosure. We have complied with all provisions of laws, regulations, contracts and grant agreements and other matters, including all laws and regulations in adopting, approving and amending budgets.

14. The Entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of a noncompliance.

15. The Entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

16. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

    Events or changes in circumstances may include a significant decrease in the market price, change in the use of an asset, adverse changes in the business or legal climate, loss of customers, operating or cash flow losses, an expectation to sell assets before the end of the previously estimated life, and costs in excess of amounts to acquire or build an asset.

17. Leases have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 87, *Leases*.

18. The Entity has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and has disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings And Direct Placements*.

19. The Entity has properly disclosed or recognized conduit debt obligations or certain arrangements associated with conduit debt obligations in accordance with GASB Statement No. 91, *Conduit Debt Obligations*.

20. Public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

21. Subscription-based information technology arrangements (SBITAs) have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

The government has properly measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB Statement No. 101, *Compensated Absences*.

22. We have disclosed to you the identity of all the Entity's related parties and all related party relationships and transactions of which we are aware. Related party relationships and transactions and related amounts receivable from or payable to related parties (including sales, purchases, loans, transfers, leasing arrangements, and guarantees) have been properly accounted for and disclosed in the financial statements in accordance with US GAAP.

    We understand that "related parties" include (1) affiliates of the Entity; (2) entities for which investments in their equity securities would be required to be accounted for by the equity method by the investing entity; (3) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (4) principal owners of the Entity and members of their immediate families; and (5) management of the Entity and members of their immediate families.

    Related parties also include (1) other parties with which the Entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (2) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

23. We have no knowledge of any business relationships, financial relationships, or other relationships that the Entity or its downstream affiliates (subsidiaries or investees) has with New Mountain Capital or its affiliates. We also acknowledge our responsibility for communicating to you all relationships, including business relationships, financial relationships, or other relationships, that the Entity or its downstream affiliates (subsidiaries or investees) are considering with New Mountain Capital or its affiliates. We have not identified any such relationships.

    We understand that "business relationships" include (1) teaming arrangements, (2) alliances, (3) joint investments or joint ventures, and (4) vendor in the ordinary course arrangements. We also understand that "financial relationships" include (1) direct financial investments, (2) material, indirect financial investments, and (3) lending relationships.

24. We have no knowledge of any participation in, investment in, purchase of, or ownership of the debt of Grant Thornton Advisors LLC by the Entity or its downstream affiliates (subsidiaries or investees). We have informed the appropriate individuals that make investment decisions for the Entity and its downstream affiliates (subsidiaries or investees), including any investment committee and third-party investment advisors, if applicable, that participating in, investing in, purchasing, or owning the debt of Grant Thornton Advisors LLC may impair your independence. We also acknowledge that, if it comes to our attention that the Entity or its downstream affiliates (subsidiaries or investees) are considering participating in, investing in, purchasing, or otherwise owning the debt of Grant Thornton Advisors LLC, we will bring such matters to your attention immediately for further discussion and evaluation.

25. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with Governmental Accounts Standards Board ("GASB") Statement No.2 ("GASB-62"), Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements are properly disclosed in the financial statements.

    Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

26. The methods, significant assumptions, and data used in making accounting estimates and the related disclosures, including those measured at fair value, are reasonable, are consistently applied, and result in a measurement appropriate to achieve recognition, measurement, or disclosure for financial statement and disclosure purposes in accordance with the financial reporting framework. In addition, the data used in making accounting estimates is accurate and complete. No events have occurred subsequent to the date of the financial statements through the date of this letter that would require adjustment to these estimates and fair value measurements, or the related disclosures included in the financial statements.

27. In accordance with GASB Statement No.72, *Fair Value Measurements and Application* the Entity has categorized its financial instruments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs that are used to measure the securities fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

28. There are no financial instruments with off-balance sheet risk or financial instruments with concentrations of credit risk.

29. There are no guarantees, whether written or oral, under which the Entity is contingently liable.

30. All funds that meet the quantitative criteria in GASB Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended, and No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

31. Components of net position (net investment in capital assets, restricted and unrestricted) are properly classified and, if applicable, approved.

32. Provisions for uncollectible receivables have been properly identified and recorded.

33. Expenses have been appropriately classified in or allocated to functions and programs in the state of activities, and allocations have been made on a reasonable basis.

34. Interfund, internal, and intra-entry activity and balances have been appropriately classified and reported.

35. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.

36. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

37. The policy regarding whether to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and the net position is properly recognized under the policy.

38. There are no known actual or possible litigation, claims, or assessments that our legal counsel has advised us are probable of assertion whose effects should be considered by management when preparing the financial statements and that should be accounted for and disclosed in accordance with GASB-62 other than those communicated to you during the audit process.

39. There are no other liabilities or gain or loss contingencies that are required to be accounted for or disclosed in accordance with GASB-62 except as disclosed in the financial statements.

40. The Entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral except as disclosed in the financial statements.

41. We acknowledge our responsibility for the required supplementary information, which GASB considers to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Such required supplementary information is measured and presented in accordance with GASB. The methods of measurement and presentation of the required supplementary information are consistent with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information.

42. We have provided you with all the documents that comprise other information in the Entity's annual report. In addition, the financial statements and the other information are consistent with one another, and the other information does not contain material misstatements. A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading.

43. The Entity's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements, as necessary, under GASB requirements.

44. We acknowledge our responsibility for the Schedule of the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability, which the GASB considers to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such required supplementary information is measured and presented in accordance with GASB Statements 68 and 75. The methods of measurement and presentation of the required supplementary information related to GASB 68 are consistent with those used in the prior period. We have disclosed to you the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. All events subsequent to the date of the financial statements through the date of this letter and for which US GAAP requires recognition or disclosure have been recognized or disclosed.

45. No events have occurred subsequent to the date of the financial statements through the date of this letter that would require, in accordance with US GAAP, recognition or disclosure in the financial statements.

**CHARTER OAK STATE COLLEGE & THE CONNECTICUT STATE COLLEGES AND UNIVERSITIES SYSTEM**

________________________________________

Terrence Cheng, Chancellor
Connecticut State Colleges and Universities System

________________________________________

Ed Klonoski, President
Charter Oak State College

________________________________________

Michael Moriarty, Chief Financial Officer
Charter Oak State College

________________________________________

Steve Hurlburt, Controller
Charter Oak State College

| | Description of misstatement | Identified by | Type of misstatement | Identified in current or prior period? | Account name or financial information line item | Amount DR (CR) | Assets | Liabilities | Equity | Net income |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | GT notes during the current year, management found the CSCU system are governmental entities and not separate legal entities from the State of Connecticut, the on-behalf payments made by the State Comptroller for fringe benefits do not require separate recording under GASB 24. The university system found the balance would also have a PY reversing impact however concluding the impact to be immaterial | Management | Projected | Prior | Fringe Expense | 142,179 | - | - | - | (142,179) |
| | | | | | Accrued Fringe Payable | (142,179) | - | (142,179) | - | - |
| | | | | | Due from state | 142,179 | 142,179 | - | - | - |
| | | | | | State Appropriations | (142,179) | - | - | - | 142,179 |
| | | | | | *Check* | - | | | | |

| | Assets | Liabilities | Equity | Net income |
|---|---|---|---|---|
| | 142,179 | (142,179) | - | - |
| | - | - | - | - |
| | 142,179 | (142,179) | - | - |
| | 23,949,234 | 45,017,715 | 29,061,393 | 1,494,097 |
| **Total uncorrected misstatements, net of tax, as a percentage of component financial information** | 0.6% | -0.3% | 0.0% | 0.0% |

Grant Thornton

Connecticut State Universities

# Annual Comprehensive Financial Report

## for the year ended June 30, 2024

*Included as an Enterprise Fund of the State of Connecticut*

DRAFT
2/24/25

CSCU

# Connecticut State Universities

## Annual Comprehensive Financial Report

### For the Year Ended June 30, 2024

***Included as an Enterprise Fund of the State of Connecticut***

***Prepared by the Office of the Controller***

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# INTRODUCTORY SECTION

## Connecticut State Colleges and Universities
### Members of the Board of Regents for Higher Education
### As of June 30, 2024

**APPOINTED BY THE GOVERNOR**
JoAnn Ryan, Chair
James McCarthy, Vice Chair
Ira Bloom
Marty Guay
Juanita James
Richard Porth
Ari Santiago
Elease E. Wright
Ted Yang

**APPOINTED BY LEGISLATIVE LEADERS**
Richard J. Balducci
Sophia Jappinen
Erin Stewart

**APPOINTED BY STUDENTS**
Luis Sanchez

*As of June 30, 2024 there were two vacancies: one Legislative Appointee and one Student Regent.*

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

| | |
|---|---|
| Brendan Cunningham | Chair of the Faculty Advisory Committee |
| Colena Sesanker | Vice Chair of the Faculty Advisory Committee |
| Dante Bartolomeo | Commissioner of the Connecticut Department of Labor |
| Charlene Russell-Tucker | Commissioner of the Connecticut Department of Education |
| Daniel O’Keefe | Commissioner of the Connecticut Department of Economic and Community Development |
| Dr. Manisha Juthani | Commissioner of the Connecticut Department of Public Health |
| Kelli-Marie Vallieres | Connecticut Chief Workforce Officer |

## Connecticut State University Presidents
**As of June 30, 2024**

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

**Dr. Elsa Nunez, President** (retired in June 2024)
Eastern Connecticut State University (ECSU)
83 Windham Street
Willimantic, CT 06226

**Dr. Dwayne Smith, Interim President**
Southern Connecticut State University (SCSU)
501 Crescent Street
New Haven, CT 06515

**Dr. Manohar Singh, Interim President**
Western Connecticut State University (WCSU)
181 White Street
Danbury, CT 06810

**Terrence Cheng, CSCU Chancellor**
System Office, Connecticut State Colleges and Universities (CSCU)
61 Woodland Street, Hartford, CT 06105

# FINANCIAL SECTION

Hold for Independent Auditors Report

Hold for Independent Auditors Report

Hold for Independent Auditors Report

## INTRODUCTION

Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and results of activities of the Connecticut State University System ("CSUS" or "System") for the fiscal year ended June 30, 2024 with selected comparative information from fiscal year 2023. 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.

### Reporting Entity

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, Connecticut State Community College, 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 Connecticut State University System."

CSUS is a state-wide public university system of higher learning in the State of Connecticut with approximately 26,600 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, 2024.

CSUS is composed of four Universities and the System Office 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.

### Financial Statements

CSUS's financial report includes the following financial statements and related footnotes: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement 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"). As required by GASB Statements No. 34 and 35, fiscal year 2024 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 Colleges and Universities 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.

**Key Reporting Changes**

In June 2023, the Connecticut General Assembly passed a state budget for the 2024 and 2025 biennium that changed the way fringe is paid for institutions of higher education. Effective July 1, 2023, the State funds CSUS employee benefit retirement costs, which are therefore no longer charged to CSUS through a fringe benefit rate assessment, and CSUS funds all non-retirement employee fringe costs. A reduction in appropriations to CSUS is also a result of the State directly covering retirement-related costs for CSUS employees.

**Financial Summary**

The Connecticut State University System had total assets of $1.9 billion, liabilities of $1.9 billion, and a total net position balance of ($535.7) million at June 30, 2024. Of the total net position balance, ($1.6) billion is classified as unrestricted net position, a $65.3 million increase from 2023. The increase in total net position is attributable to a combination of factors including board-approved tuition rate increases, increased auxiliary revenues as more students returned to dormitories, and increased investment income related to higher interest rates. These factors and other changes are further detailed in the following sections of the MD&A.

The large negative balance in unrestricted net position is a result of the adoption of GASB Statement No. 68 (Pensions) in fiscal year 2015 and GASB Statement No. 75 (Other Post-Employment Benefits) in fiscal year 2018. Adoption of GASB Statement No. 68 required the System to recognize a net liability for pension plans, which was previously disclosed only at the State level. The adoption of GASB Statement No. 75 required the System to recognize the net liability for other post-employment benefits (OPEB).

## 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Connecticut State University System, including capital assets net of depreciation. The Statement of Net Position is a point-in-time financial statement and is used as a measure of the financial condition of the System. This statement presents a snapshot concerning assets classified as current (available for use within one year) and noncurrent (available beyond one year), liabilities categorized as current (due within one year) and noncurrent (due beyond one year), and net position. Assets represent what is owned by or what is owed to the System and are recorded at their current value except for capital assets, which are recorded at historical cost, net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by the System. A deferred outflow of resources represents the consumption of net assets by the System that is applicable to a future reporting period, whereas a deferred inflow of resources is an acquisition of net assets by the System that is applicable to a future reporting period. The System's net position is the residual value in assets and deferred outflows after liabilities and deferred inflows are deducted. The change in Net Position is one indicator of whether the overall financial condition of the System has improved or worsened during the year.

The following table shows a Condensed Schedule of Net Position at June 30 ($ in millions):

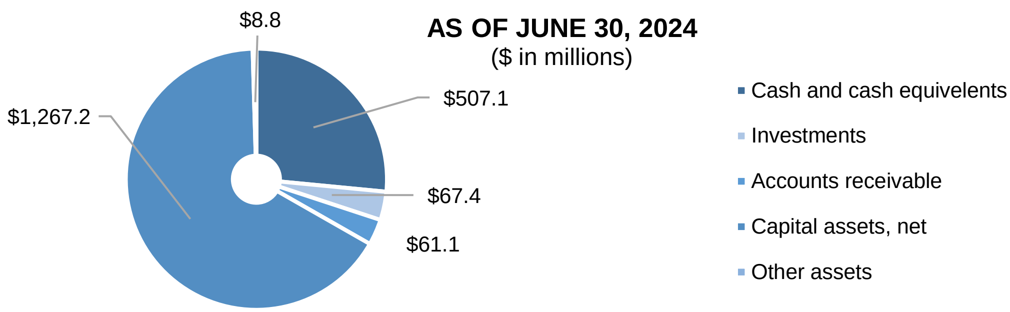
| | 2024 | 2023 | % Change |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | $ 396.8 | $ 406.0 | (2.3%) |
| Non-current assets: | | | |
| Capital assets, net | 1,267.2 | 1,302.9 | (2.7%) |
| Other | 247.6 | 215.3 | 15.0% |
| Total assets | 1,911.6 | 1,924.2 | (0.7%) |
| **DEFERRED OUTFLOWS OF RESOURCES** | 226.4 | 517.0 | (56.2%) |
| **LIABILITIES** | | | |
| Current liabilities | 149.9 | 173.2 | (13.5%) |
| Non-current liabilities | 1,749.5 | 2,056.9 | (14.9%) |
| Total liabilities | 1,899.4 | 2,230.1 | (14.8%) |
| **DEFERRED INFLOWS OF RESOURCES** | 774.3 | 772.2 | 0.3% |
| **NET POSITION** | | | |
| Net investment in capital assets | 998.1 | 1,015.6 | (1.7%) |
| Restricted nonexpendable | 0.6 | 0.6 | 0.0% |
| Restricted expendable | 68.1 | 90.5 | (24.7%) |
| Unrestricted | (1,602.5) | (1,667.8) | 3.9% |
| Total net position (deficit) | $ (535.7) | $ (561.1) | 4.5% |

**Assets**
Total assets decreased by $12.6 million in fiscal year 2024 due to the following:

*Current assets* consist of cash, cash equivalents, investments, accounts receivable, and other assets and at June 30, 2024 were $396.8 million, a $9.2 million decrease from 2023. This was primarily due to a decrease in investments of $11.6 million and a decrease in accounts receivable due from the State of $14.4 million, offset by a $15.1 million increase in cash. The decrease in investments is primarily driven by bond principal payments of $21.7 million that are partly offset by investment income. The accounts receivable due from State decreased due to the change in the State's fringe methodology. With the State directly funding retirement-related fringe costs for CSUS employees, there has been a reduction in the State's appropriations for personnel expenses. The increase in cash of $15.1million is due to a variety of factors including increased tuition and fees and auxiliary revenues partially offset by increased salaries and wages.

*Total non-current assets* at June 30, 2024 of $1.5 billion decreased by $3.3 million primarily due to a net $35.7 million decrease in capital assets that was largely offset by an increase in cash and cash equivalents of $31.7 million. The $35.7 million decrease in net capital assets was driven by $78.3 million in depreciation and amortization expense that was partially offset by additions of $44.9 million primarily related to building and building improvement projects. Two building openings in Fall 2023 were SCSU's School of Business building and WCSU's new Berkshire Hall Student Center. A significant construction project that has an estimated completion date in fiscal year 2025 is the Elihu Burritt Library addition at CCSU.

The following graph shows total assets by major category:



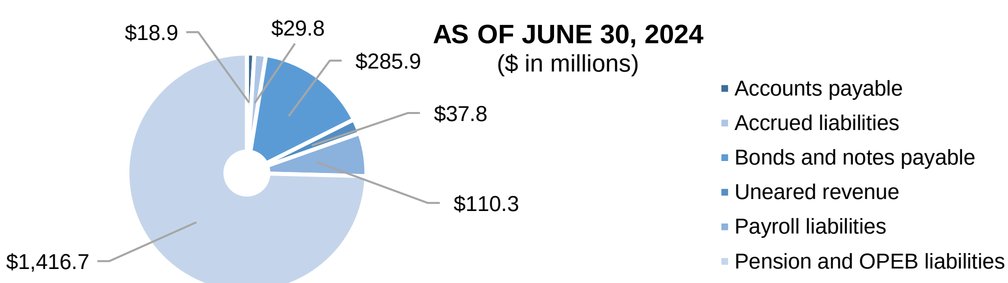

**Liabilities**

Total liabilities decreased by $330.7 million in fiscal year 2024 due to the following:

*Current liabilities* at June 30, 2024 of $149.9 million decreased by $23.3 million. The primary factors for the decrease were a $14.9 million decrease in accounts payable, a $10.0 million decrease in accrued salaries and benefits, and a $2.1 million increase in unearned tuition and grant revenue. The changes in accounts payable and unearned grant revenue were due to timing. The decrease in accrued payroll and related benefits was due to CSUS retirement costs now being directly covered by the State.

*Non-current liabilities* at June 30, 2024 of $1.7 billion decreased by $307.4 million which is primarily due to a decrease in the pension liability of $221.1 million and a decrease in the OPEB liability of $59.1 million. The decrease in pension liability was primarily driven by transfers from the State's reserve fund as surplus contributions to the SERS and TRS plans which reduced the CSUS liability allocation. Fiscal year 2023 was the fifth consecutive fiscal year that the State made excess contributions to the plans with those contributions totaling over $8.5 billion. The OPEB liability decreased largely due to the CSUS proportionate share decreasing from 6.10% in fiscal year 2022 to 5.95% in fiscal year 2023 and an increase in the discount rate for contributory members from 3.90% to 6.90%. Bonds payable also decreased in fiscal year 2024 due to $23.0 million in principal debt service payments.

The following graph shows total liabilities by major category:



**Deferred Outflows and Deferred Inflows of Resources**

*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**

*Net investment in capital assets* 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.

*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 unexpended proceeds from bond issuances for capital projects and 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 and OPEB liabilities, unrestricted net position increased $77.1 million from 2023 to 2024.

The table below illustrates the effects of GASB 68 and GASB 75 on the CSUS's net position at June 30 ($ in millions):

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **NET POSITION** | | | |
| Net investment in capital assets | $ 998.1 | $ 1,015.6 | -1.7% |
| Restricted nonexpendable | 0.6 | 0.6 | 0.0% |
| Restricted expendable | 68.1 | 90.5 | -24.8% |
| Unrestricted | (1,602.5) | (1,667.8) | 3.9% |
| Total net position (deficit) | (535.7) | (561.1) | 4.5% |
| Pension and OPEB Impact (GASB 68 and 75) | 1,966.6 | 1,954.8 | 0.6% |
| Total Net Position, Excluding Pension and OPEB | $ 1,430.9 | $ 1,393.7 | 2.7% |
| Unrestriced Net Position, Excluding Pension and OPEB | $ 364.1 | $ 287.0 | 26.9% |

## CAPITAL AND RELATED DEBT ACTIVITIES

Capital assets, net of accumulated depreciation and amortization, consisted of the following at June 30 ($ in millions):

| | 2024 | 2023 | % Change |
|---|---|---|---|
| Land | $ 19.7 | $ 19.9 | (1.0%) |
| Buildings & improvements | 2,109.3 | 2,067.2 | 2.0% |
| Land improvements | 111.7 | 107.6 | 3.8% |
| Furniture, fixtures & equipment | 152.8 | 150.0 | 1.9% |
| Library books and collections | 21.0 | 22.0 | (4.5%) |
| Right of use assets | 32.4 | 31.6 | 2.5% |
| Construction in progress | 42.7 | 61.5 | (30.6%) |
| Total capital assets | 2,489.6 | 2,459.8 | 1.2% |
| Less accumulated depreciation and amortization | 1,222.4 | 1,156.9 | 5.7% |
| Capital assets, net | $ 1,267.2 | $ 1,302.9 | (2.7%) |

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-ninth year of its long-range capital plan for the renovation and development of auxiliary service facilities. There were no new bond issuances during 2023 or 2024.

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

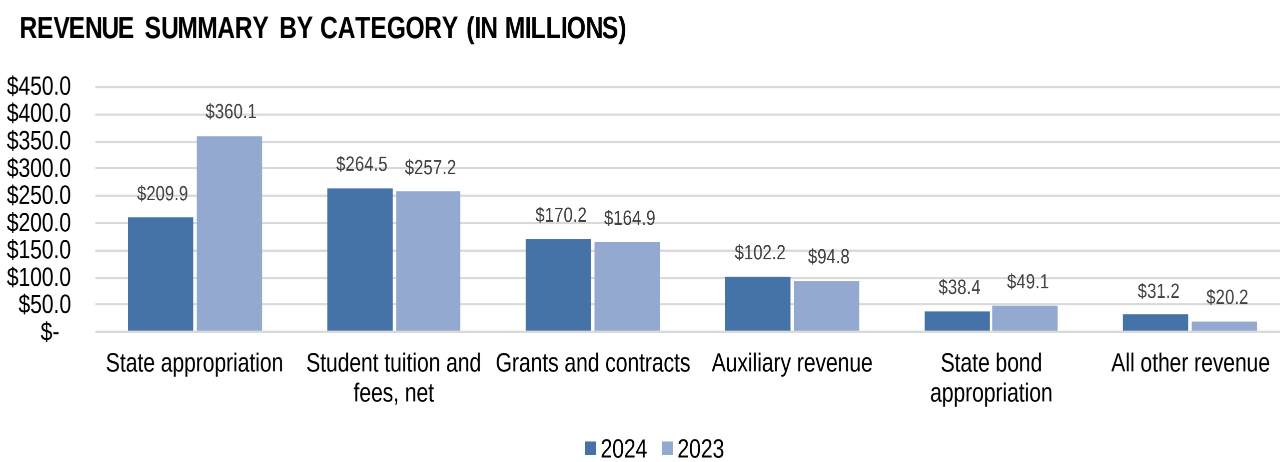
The Statement of Revenues, Expenses and Changes in Net Position presents either an increase or decrease in net position based on the revenues earned, the expenses incurred, and any other gains and losses recognized by the CSUS. Revenues and expenses are classified as operating, nonoperating, or other changes in net position according to definitions prescribed by GASB.

The following table shows a Condensed Schedule of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30 ($ in millions):

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Tuition and fees, net | $ 264.5 | $ 257.2 | 2.8% |
| Auxiliary revenues | 102.2 | 94.8 | 7.8% |
| Grants and indirect cost recoveries | 39.0 | 42.9 | (9.2%) |
| Other | 5.5 | 5.5 | 0.0% |
| Total operating revenues | 411.2 | 400.4 | 2.7% |
| **OPERATING EXPENSES** | | | |
| Expenses before depreciation and amortization | 712.5 | 660.2 | 7.9% |
| Depreciation and amortization | 78.4 | 73.2 | 7.1% |
| Total operating expenses | 790.9 | 733.4 | 7.8% |
| Operating loss | (379.7) | (333.0) | (14.0%) |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| State appropriations - general fund | 209.9 | 360.1 | (41.7%) |
| State appropriations - bond fund | 38.4 | 49.1 | (21.8%) |
| Pell grant revenue | 44.4 | 38.3 | 15.9% |
| Federal emergency grant revenue | 86.8 | 83.7 | 3.7% |
| Investment income | 30.2 | 19.2 | 57.3% |
| Other | (4.6) | (4.5) | (2.9%) |
| Total non-operating revenues (expenses) | 405.1 | 545.9 | (25.8%) |
| **NET POSITION** | | | |
| Change in net position | 25.4 | 213.0 | 88.1% |
| Net position, beginning of year | (561.1) | (774.1) | 27.5% |
| Net position, end of year | $ (535.7) | $ (561.1) | 4.5% |

**Revenues**

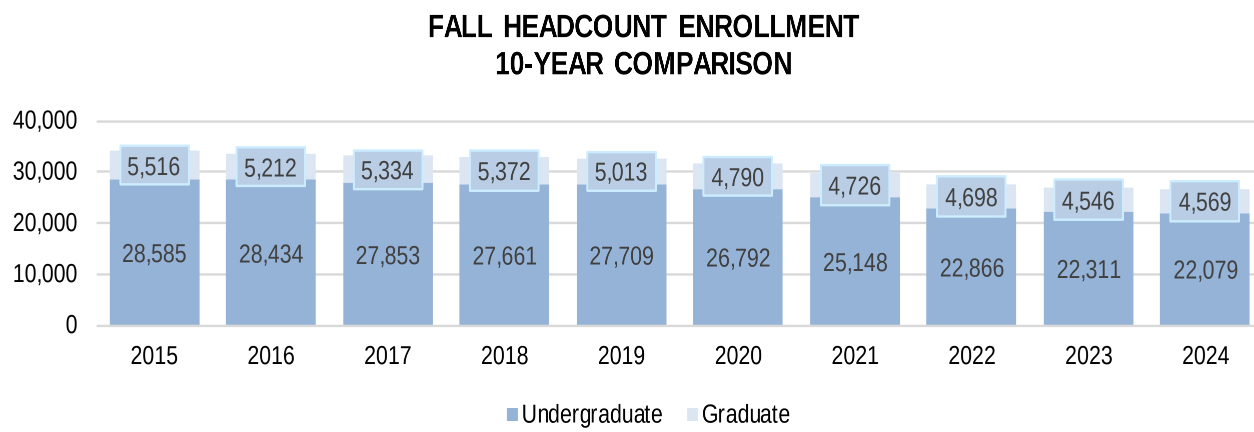
The following graph shows the CSUS's total operating and nonoperating revenues by category, excluding other changes in net position:

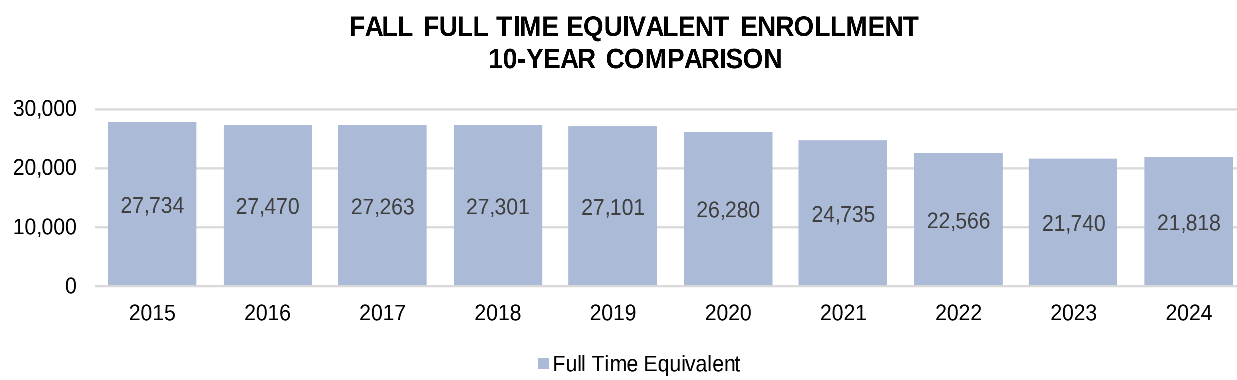


## Operating Revenues

Total *operating revenues* for fiscal year 2024 were $411.2 million after the reduction for scholarship allowances, an increase of $10.8 million from fiscal year 2023. *Student tuition and fees* represent the largest portion of operating revenue on a gross basis but are offset by student financial aid and waivers of $67.8 million, resulting in net tuition and fee revenue of $264.5 million. On a gross basis, fiscal year 2024 tuition revenues increased by 3.5% from the previous year, primarily the result of a 3% increase in tuition rates. Tuition and fee revenues also reflect a small increase in FTE credit enrollment from 21,740 in fall 2023 to 21,818 in fall 2024. Auxiliary revenues, which are mainly driven by room and board fees, increased by $7.4 million, a 7.8% increase, due to more students returning to dormitories combined with an increase in rates.

The graphs below present headcount and full-time equivalent enrollment over the last 10 years:



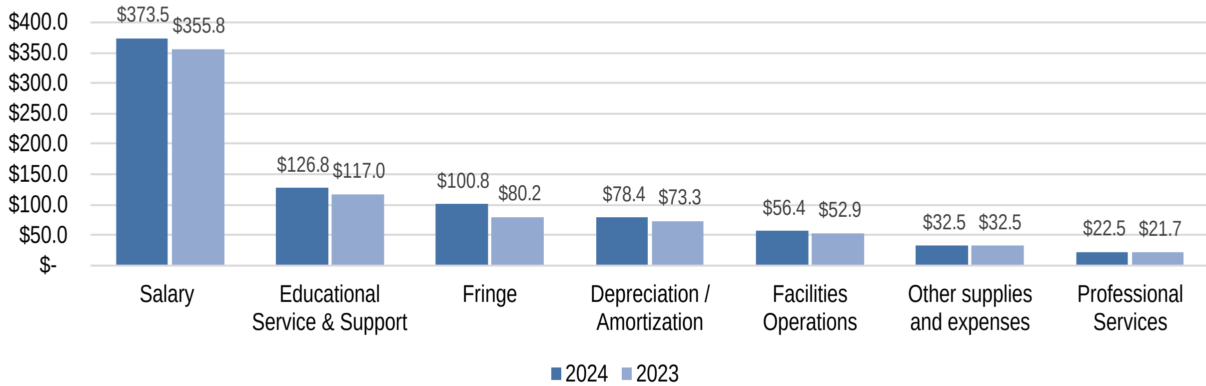

## Nonoperating Revenue and Expenses

*Nonoperating revenue and expenses* includes state appropriations, certain federal grants, private gifts and donations, investment income, and interest expense. In fiscal year 2024, state appropriations of $248.3 million were $161.0 million lower than in fiscal year 2023. State appropriations are received for both operating and capital purposes, and $150.2 million of the decrease resulted from State legislation that changed how fringe benefit costs are supported for higher education constituent units effective July 1, 2023. Instead of fringe being a component of operating appropriations, the State now covers the fringe benefits of retirement-related costs and the higher education units fund non-state retirement costs such as medical insurance, life insurance, social security and Medicare taxes. In fiscal year 2024, the majority of State appropriation dollars for operating purposes were used to fund salaries and in fiscal year 2023, which was prior to implementation of the legislative change, these appropriations primarily funded salaries and fringe benefits. There were also temporary funding allotments during fiscal 2024 and 2023 to provide additional operating support. Capital appropriations decreased $10.8 million from fiscal 2023 as several bond funded projects have been completed. Federal emergency grant revenues are primarily from APRA grants and other COVID-related grants awarded to the CSUS. CSUS's allocation from the State's American Rescue

Plan Program (ARPA) totaled $83.4 million in fiscal year 2024. Investment income increased by $10.9 million primarily due to higher interest rates in fiscal year 2024.

## Operating Expenses

The following graph shows the CSUS operating expenses by natural classification:




In fiscal 2024, total *operating expenses* less depreciation and amortization of $712.6 million increased by $52.4 million from the prior fiscal year primarily due to increased salary and fringe expenses. The $17.7 million increase in salary in fiscal 2024 was primarily due to wage increases set by collective bargaining agreements. Fringe benefits increased by $20.6 million in fiscal year 2024 primarily due to increased pension and OPEB expenses that were partially offset by the impact of a legislative change whereby CSUS no longer funds retirement contributions for State employees. In accordance with GASB guidance, CSUS recognizes its share of unfunded pension and OPEB liabilities and expenses from the State's defined benefit pension and OPEB plans. These noncash adjustments, which recorded pension and OPEB expenses for the measurement period ended June 30, 2023, increased by $119.2 million and $34.7 million, respectively. The $119.2 million increase in pension expense was primarily due to the State transfer from budget surpluses lowering the State's collective pension expense in the previous fiscal year and therefore CSUS's proportionate share. There have been budget surplus transfers to the State's pension funds since fiscal year 2020, but the $4.1 billion in surplus transfers that favorably impacted pension expense recorded in fiscal year 2023, was significantly higher than the $1.8 billion in transfers impacting fiscal year 2024. OPEB expense was higher in fiscal year 2024 due in part to changes in actuarial assumptions (see Note 11) and amortization of prior year deferrals increasing expense. As stated in the previous "Key Reporting Changes" section, effective July 1, 2023, CSUS no longer funds retirement contributions for employees participating in State retirement plans, as these contributions are now covered by the State. As a result of this legislative change, there was a $133.4 million decrease in fringe benefits charged by the State to CSUS for fiscal 2024, which partially offset the $153.9 million combined increase for pension and OPEB expenses.

## Other Changes in Net Position

*Other changes in net position* include the state appropriations for capital purposes and loss on disposal of assets. The $12.4 million decrease in fiscal 2024 to $36.0 million was primarily the result of a $10.8 million decrease in State capital appropriations.

## STATEMENT OF CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. Cash flows from operating activities is expected to be different from the operating loss amount on the Statement of Revenues, Expenses, and Changes in Net Position. The difference results from noncash items such as depreciation and amortization expense, and in the use of the accrual basis of accounting in preparing the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows shows cash inflows and outflows without regard to accruals.

The System's cash and cash equivalents at June 30, 2024 increased $46.8 million. This increase was driven by a variety of factors including the following increased and decreased cash flows: a $12.0 million increase in investment income, $5.8 million increase in tuition and fees, $7.8 million increase in auxiliary revenues, and a $5.9 million decrease in principal and interest payments. As illustrated in the chart below, there was a significant reduction in operating activity cash outflows and non-capital financing activity inflows, both of which are the result of the State now directly covering retirement-related fringe costs.

The following table shows a Condensed Statement of Cash Flows for the fiscal years ended June 30 ($ in millions):

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **NET CASH PROVIDED BY (USED IN)** | | | |
| Operating activities | $ (299.0) | $ (430.2) | 30.5% |
| Non-capital financing activities | 360.4 | 507.9 | (29.0%) |
| Capital and related financing activities | (58.2) | (28.6) | (103.5%) |
| Investing activities | 43.6 | 36.4 | 19.8% |
| Net change in cash and cash equivalents | 46.8 | 85.5 | (45.3%) |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents, beginning of year | 460.3 | 374.8 | 22.8% |
| Cash and cash equivalents, end of year | $ 507.1 | $ 460.3 | 10.2% |

## ECONOMIC OUTLOOK

In June 2024, the Board of Regents approved an annual operating budget for 2025 of $724.8 million, supported by revenues of $730.9 million, resulting in a net surplus of $6.1 million. The budget includes gross tuition and fee revenue at $435.8 million, a 7.7% increase, which reflects increased enrollment at some universities and a 5% increase in tuition and fees. Auxiliary revenues are also projected to increase with housing by 5.3% and food services by 6.8%. A $2.6 million or 1.5% increase in operating State appropriations is budgeted. To further alleviate rising operating costs, the CSU's will be receiving $62.9 million in fiscal year 2025 from the State's ARPA allocation and $16.4 million in temporary operating support. Personnel and related costs have always been the largest area of expenditures and include SEBAC raises that were effective July 1, 2024. The 2025 budget for salaries and fringe, which does not include OPEB and pension expenses, is $478.0 million, a $24.3 million increase over those same expenses in fiscal 2024. With the significant temporary financial support that CSUS has been receiving since the COVID pandemic, it is critical that CSUS find ways to mitigate the future loss of that support. The CSUS is implementing a mitigation plan that includes looking for opportunities to produce alternative revenue sources and refine efforts on increasing enrollment and retention, as well as increasing fiscal savings where possible.

### 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. University specific questions may also be directed to the Chief Financial Officer at each individual University.

| | 2024 |
|---|---|
| **Assets** | |
| Current assets | |
| Cash and cash equivalents | $ 293,149,923 |
| Investments | 37,656,187 |
| Accounts receivable, net | 16,446,236 |
| Due from the State of Connecticut | 40,735,299 |
| Prepaid expenses and other current assets | 8,782,039 |
| Total current assets | 396,769,684 |
| Noncurrent assets | |
| Cash and cash equivalents | 213,972,212 |
| Investments | 29,741,796 |
| Accounts receivable, net | 3,919,342 |
| Other assets | 21,230 |
| Investment in capital assets, net of accumulated depreciation | 1,267,208,804 |
| Total noncurrent assets | 1,514,863,384 |
| Total assets | $ 1,911,633,068 |
| **Deferred outflows of resources** | |
| Deferred pension | $ 115,824,348 |
| Deferred other post employment benefits | 106,769,262 |
| Deferred loss on bond refunding | 3,782,859 |
| Total deferred outflows of resources | $ 226,376,469 |

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

| | 2024 |
|---|---|
| **Liabilities** | |
| Current liabilities | |
| Accounts payable | $ 18,599,461 |
| Accrued salaries and benefits | 45,726,507 |
| Accrued compensated absences | 6,479,594 |
| Due to the State of Connecticut | 347,108 |
| Unearned tuition, fees and grant revenue | 37,807,950 |
| Bonds payable | 21,370,000 |
| Note payable | 3,139,036 |
| Accrued bond interest payable | 1,351,496 |
| Leases payable | 340,460 |
| Subscription liabilities | 4,705,865 |
| Other liabilities | 3,125,585 |
| Depository accounts | 6,930,644 |
| Total current liabilities | 149,923,706 |
| Noncurrent liabilities | |
| Accrued compensated absences | 58,110,775 |
| Bonds payable | 245,648,227 |
| Note payable | 15,695,188 |
| Federal loan program advances | 1,164,981 |
| Deferred compensation | - |
| Leases payable | 342,719 |
| Subscription liabilities | 8,016,720 |
| Other noncurrent liabilities | 3,784,507 |
| Pension liability, net | 554,403,575 |
| Other post employment benefits, net | 862,283,562 |
| Total noncurrent liabilities | 1,749,450,254 |
| Total liabilities | $ 1,899,373,960 |
| **Deferred inflows of resources** | |
| Deferred pension | $ 329,317,309 |
| Deferred other post employment benefits | 443,211,015 |
| Deferred lease inflows | 1,819,701 |
| Total deferred inflows of resources | $ 774,348,025 |
| **Net Position** | |
| Net investment in capital assets | $ 998,123,395 |
| Restricted | |
| Nonexpendable | 542,152 |
| Expendable | 68,121,445 |
| Unrestricted | (1,602,499,440) |
| Total net position (deficit) | $ (535,712,448) |

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

| | | 2024 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 9,594,185 |
| Investments | | 196,891,146 |
| Contributions and other receivables | | 5,341,346 |
| Prepaid expenses and other assets | | 811,355 |
| Beneficial interest in trusts | | 759,832 |
| Land, buildings and equipment, net | | 3,473,696 |
| Total assets | $ | 216,871,560 |
| **Liabilities** | | |
| Accounts payable and accrued expenses | | 1,733,419 |
| Other liabilities | | 2,433,495 |
| Total liabilities | | 4,166,914 |
| **Net Assets** | | |
| Without donor restrictions | | 11,269,242 |
| With donor restrictions | | 201,435,404 |
| Total net assets | | 212,704,646 |
| Total liabilities and net assets | $ | 216,871,560 |

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

| | 2024 |
|---|---|
| Operating revenues | |
| Tuition and fees | |
| Tuition and fees | $ 332,340,719 |
| Less | |
| Scholarships allowance | (46,797,337) |
| Waivers | (20,999,801) |
| Tuition and fees, net of scholarship allowances and waivers | 264,543,581 |
| Federal grants and contracts | 22,987,781 |
| State and local grants and contracts | 7,885,702 |
| Nongovernment grants and contracts | 7,469,288 |
| Indirect cost recoveries | 671,015 |
| Auxiliary revenues | 102,179,322 |
| Other operating revenues | 5,459,833 |
| Total operating revenues | 411,196,522 |
| Operating expenses | |
| Salaries and wages | 373,507,432 |
| Fringe benefits | 100,792,215 |
| Professional services and fees | 22,456,988 |
| Educational services and support | 126,821,281 |
| Travel expenses | 6,564,209 |
| Operation of facilities | 56,438,833 |
| Other operating supplies and expenses | 25,976,909 |
| Depreciation expense | 70,835,685 |
| Amortization expense | 7,521,489 |
| Total operating expenses | 790,915,041 |
| Operating loss | (379,718,519) |
| Nonoperating revenues (expenses) | |
| State appropriations | 209,874,918 |
| Pell grant revenue | 44,361,541 |
| Federal emergency grant revenue | 86,837,014 |
| Gifts | 5,051,945 |
| Investment income | 30,161,022 |
| Interest expense | (8,554,004) |
| Other nonoperating revenues (expenses), net | 1,413,091 |
| Net nonoperating revenues (expenses) | 369,145,527 |
| Loss before other changes in net position | (10,572,992) |
| Other changes in net position | |
| State appropriations restricted for capital purposes | 38,394,108 |
| Loss on disposal of capital assets | (2,418,691) |
| Other changes in net position | 35,975,417 |
| Change in net position | 25,402,425 |
| Net position at beginning of year | (561,114,873) |
| Net position at end of year | $ (535,712,448) |

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

| | Without Donor Restrictions | With Donor Restrictions | 2024 Total |
|---|---|---|---|
| **Revenues, gains and other support** | | | |
| Contributions | $ 3,644,373 | $ 7,799,084 | $ 11,443,457 |
| Program income | 110,373 | 148,676 | 259,049 |
| Investment gain, net | 1,290,175 | 19,700,997 | 20,991,172 |
| Other income (loss) | 644,303 | (560,301) | 84,002 |
| Gain (loss) on disposal of assets | (3,827) | 113,781 | 109,954 |
| Net assets released from restrictions | 11,065,153 | (11,065,153) | - |
| Total revenues, gains and other support | 16,750,550 | 16,137,084 | 32,887,634 |
| **Operating expenses** | | | |
| Program services | 11,514,448 | 253,974 | 11,768,422 |
| Management and general | 2,356,361 | 576 | 2,356,937 |
| Fundraising | 1,342,359 | - | 1,342,359 |
| Total operating expenses | 15,213,168 | 254,550 | 15,467,718 |
| Transfers between funds | (96,021) | 96,021 | - |
| Change in net assets | 1,441,361 | 15,978,555 | 17,419,916 |
| **Net assets** | | | |
| Beginning of year | 9,827,881 | 185,456,849 | 195,284,730 |
| End of year | $ 11,269,242 | $ 201,435,404 | $ 212,704,646 |

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

| | 2024 |
|---|---|
| **Cash flows from operating activities** | |
| Tuition and fees | $ 264,633,454 |
| Grants and contracts | 40,690,461 |
| Auxiliary revenues | 100,383,792 |
| Other operating revenues | 5,147,062 |
| Payments to employees for salaries and benefits | (469,823,293) |
| Payments to suppliers | (5,879,404) |
| Professional services and fees | (22,481,988) |
| Educational services and support | (126,821,280) |
| Travel expenses | (6,564,209) |
| Operation of facilities | (56,438,832) |
| Other operating supplies and expenses | (21,856,741) |
| Net cash used in operating activities | (299,010,978) |
| **Cash flows from noncapital financing activities** | |
| State appropriations | 223,015,451 |
| Gifts for other than capital purposes | 5,051,946 |
| Nonoperating grants and revenue other | 132,312,265 |
| Net cash provided by noncapital financing activities | 360,379,662 |
| **Cash flows from investing activities** | |
| Proceeds from sales and maturities of investments | 43,273,421 |
| Purchases of investments | (30,731,498) |
| Interest and dividends received on investments | 31,120,213 |
| Net cash provided by investing activities | 43,662,136 |
| **Cash flows from capital and related financing activities** | |
| Purchases of capital assets | (59,692,074) |
| State capital appropriations received | 39,874,490 |
| Principal paid on debt and other obligations | (29,270,442) |
| Interest paid on debt and other obligations | (9,070,793) |
| Net cash used in capital and related financing activities | (58,158,819) |
| Net increase in cash and cash equivalents | 46,872,001 |
| Cash and cash equivalents, beginning of year | 460,250,134 |
| Cash and cash equivalents, end of year | $ 507,122,135 |

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

| | 2024 |
|---|---|
| **Reconciliation of operating loss to net cash used in operating activities** | |
| Operating loss | $ (379,718,519) |
| Adjustments to reconcile operating loss to net cash used in operating activities | |
| Depreciation expense | 70,835,685 |
| Amortization | 7,521,489 |
| Changes in assets and liabilities: | |
| Receivables | (2,961,783) |
| Prepaid expenses and other | (594,500) |
| Accounts payable | (879,239) |
| Accrued salaries and benefits | (9,978,047) |
| Other liabilities | 2,231,871 |
| Due to/from the State of Connecticut | 6,140 |
| Unearned tuition, fees and grant revenues | 2,009,440 |
| Deferred compensation | (409,428) |
| Depository accounts | 39,001 |
| Accrued compensated absences | 784,771 |
| Pension Liability | (221,142,658) |
| Other post employment benefits | (59,118,005) |
| Changes in deferred outflows | 290,214,064 |
| Changes in deferred inflows | 2,148,740 |
| Net cash used in operating activities | $ (299,010,978) |
| **Noncash financing activity** | |
| Fixed assets included in accounts payable | $ 4,497,198 |
| **Reconciliation of cash and cash equivalents to the combined statements of net position** | |
| Cash and cash equivalents classified as current assets | $ 293,149,923 |
| Cash and cash equivalents classified as noncurrent assets | 213,972,212 |
| | $ 507,122,135 |

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

## 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 includes: 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 (the foundations that support the four universities and the System Office).

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

- The statement of net position presents information on all of the system's assets, liabilities, deferred outflows and inflows, and net position.
- The statement of revenues, expenses and changes in net position presents 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 the statement 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 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. 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.

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

- **Net Investment 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. Similar net assets are included in net assets without donor restrictions 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 net assets with donor restrictions 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 net assets with donor restrictions 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. Similar net assets are referred to as net assets without donor restrictions in the statements of the component units.

**Classification of Assets and Liabilities**
CSUS presents short-term and long-term assets and liabilities in the statement 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 presented as short-term in the statement of net position include investments with original maturities of three months or less. Long-term cash and cash equivalents includes balances that have externally imposed restrictions as to use. Investments presented as short-term include balances with a maturity of one year or less from the reporting date. Investments with longer maturity dates and those with externally imposed restrictions as to use are classified as long-term assets.

**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 fair value, is held on behalf of CSUS by the State Treasurer and has original maturities of three months or less (see Notes 2 and 8). 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 Capital Assets**
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. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life. Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut. 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, 2023.

Right-of-use ("ROU") assets, which includes ROU leased assets and ROU subscription assets are recognized at the agreement's commencement date and represent CSUS's right to use an underlying asset for the agreement term. ROU assets are measured at the initial value of the liability plus any payments made at or before commencement and initial direct costs. ROU assets are amortized on a straight-line basis over the shorter of the contract term or estimated useful life of the underlying asset. However, if the underlying contract contains a purchase option determined to be reasonably certain of being exercised, the ROU asset is amortized over the estimated useful life of the asset.

**Subscription Liability**
Subscription liabilities represent CSUS's obligation to make payments to the vendor, measured at the present value of subscription payments over the remaining term. Subscription liabilities are recognized at the SBITA commencement date based upon the present value of future subscription payments over the remaining SBITA term. Short term subscription liabilities, those with a maximum period of 12 months (or less), are expensed as incurred.

**Leases Payable**
Leases payable represent CSUS's obligation to make lease payments arising from leases other than short term leases. Leases payable are recognized at the lease commencement dates based on the present value of future lease payments over the remaining lease terms. Present value of lease payments is discounted based on a borrowing rate determined by CSUS. Short term leases, those with a maximum period of 12 months, are expensed as incurred.

**Lease Receivable**
Lease receivables are recorded by CSUS as the present value of lease payments expected to be received under all leases other than short term. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected. Lease receivables are included within accounts receivable on the Statement of Net Position.

**Deferred Inflows**
Deferred inflows consist of certain changes in the net pension and total OPEB liability and unrecognized revenues from other than short term leases.

**Accrued Compensated Absences (ACA)**
Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statement of net position reflects 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 portion of the state 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 pension and OPEB liabilities that are recorded are based on CSUS's share of contributions relative to total contributions made to the respective plans, as determined by independent actuaries.

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, 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.

The State allotted $83.4 million to the CSUS in fiscal year 2024 as part of the State's American Rescue Plan Act (ARPA) allocation designated as temporary operating support. The total was recorded as federal emergency grant revenue under nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2024.

**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.

**Subsequent Events**
In accordance with generally accepted accounting principles, CSUS has evaluated subsequent events for the period after June 30, 2024, through February 24, 2025, the date the financial statements were issued.

## 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 participants' 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, 2024 was 5.43%.

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

| | 2024 | |
|---|---|---|
| | **Cost** | **Fair Value** |
| Cash and cash equivalents | $ 507,122,135 | $ 507,122,135 |
| U.S. Mutual Funds-Governmental | 67,397,983 | 67,397,983 |
| | $ 574,520,118 | $ 574,520,118 |

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.

*Custodial Credit Risk* – At June 30, 2024, the carrying amount of CSUS's bank deposits was $4.0 million as compared to bank balances of $5.1 million. The difference between the carrying amount and bank balances was primarily caused by outstanding checks and deposits in transit. Of such bank balances, $4.3 million was uninsured and uncollateralized and therefore subject to custodial credit risk as of June 30, 2024.

*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. 88% 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, 2024.

*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 (in years) are as follows:

| Debt Securities | Fair Value | Less Than 1 Year | More than 1 Year |
|---|---|---|---|
| June 30, 2024 | | | |
| U.S. Government obligations | $ 67,397,991 | $ 67,397,974 | $ 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, 2024 are valued based on Level 1 inputs. There are no liabilities subject to the fair value provisions of GASB No. 72.

## 3. Accounts Receivables

Receivables consisted of the following at June 30:

| | 2024 |
|---|---|
| Student accounts receivable | $ 18,171,482 |
| Student loans receivable | 3,119,130 |
| Grants receivable | 5,241,275 |
| Leases receivable | 1,816,816 |
| Miscellaneous receivables | 2,314,752 |
| | 30,663,455 |
| Less allowance for doubtful accounts | (10,297,877) |
| Net accounts receivable | $ 20,365,578 |

CSUS has provided an allowance for uncollectible receivables, which, in management's opinion, is sufficient to absorb receivables that will ultimately be written off.

## 4. Capital Assets

Capital assets for the Universities consist of the following at June 30, 2024:

| | Balance June 30, 2023 | Additions | Retirements and Transfers | Balance June 30, 2024 |
|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | |
| Land | $ 19,950,678 | $ - | $ (233,240) | $ 19,717,438 |
| Capitalized collections | 8,938,597 | 7,847 | (1,500) | 8,944,944 |
| Construction in progress | 61,514,717 | 36,313,585 | (55,159,685) | 42,668,617 |
| Total capital assets not being depreciated | $ 90,403,992 | $ 36,321,432 | $ (55,394,425) | $ 71,330,999 |
| **Other capital assets:** | | | | |
| Land improvements | $ 107,607,998 | $ 4,127,583 | $ - | $ 111,735,581 |
| Buildings and building improvements | 2,067,156,568 | 49,334,913 | (7,229,336) | 2,109,262,145 |
| Furniture, fixtures and equipment | 150,047,670 | 9,327,339 | (6,604,180) | 152,770,829 |
| Library materials | 13,099,960 | 158,089 | (1,088,566) | 12,169,483 |
| Right-of-use-assets - equipment | 1,752,934 | 609,148 | (497,274) | 1,864,808 |
| Right-of-use-assets - subscriptions | 29,833,033 | 1,192,634 | (519,082) | 30,506,585 |
| Total other capital assets | 2,369,498,163 | 64,749,706 | (15,938,438) | 2,418,309,431 |
| Less accumulated depreciation and amortization | | | | |
| Land improvements | (82,129,086) | (3,108,220) | - | (85,237,306) |
| Buildings and building improvements | (936,791,479) | (59,695,088) | 5,285,982 | (991,200,585) |
| Furniture, fixtures and equipment | (122,846,642) | (7,367,577) | 6,178,314 | (124,035,905) |
| Library materials | (9,028,273) | (664,800) | 1,088,566 | (8,604,507) |
| Right-of-use-assets - equipment | (1,060,492) | (286,892) | 157,542 | (1,189,842) |
| Right-of-use-assets - subscriptions | (5,129,235) | (7,202,198) | 167,952 | (12,163,481) |
| Total accumulated depreciation and amortization | (1,156,985,207) | (78,324,775) | 12,878,356 | (1,222,431,626) |
| Other capital assets, net | $ 1,212,512,956 | $ (13,575,069) | $ (3,060,082) | $ 1,195,877,805 |
| **Capital asset summary:** | | | | |
| Capital assets not being depreciated or amortized | $ 90,403,992 | $ 36,321,432 | $ (55,394,425) | $ 71,330,999 |
| Other capital assets, at cost | 2,369,498,163 | 64,749,706 | (15,938,438) | 2,418,309,431 |
| Total cost of capital assets | 2,459,902,155 | 101,071,138 | (71,332,863) | 2,489,640,430 |
| Less accumulated depreciation and amortization | (1,156,985,207) | (78,324,775) | 12,878,356 | (1,222,431,626) |
| Capital assets, net | $ 1,302,916,948 | $ 22,746,363 | $ (58,454,507) | $ 1,267,208,804 |

## 5. Leases

CSUS has entered into various leases for equipment. The activity associated with the long-term lease liability for the year ended June 30, 2024 is summarized as follows:

| Balance 7/1/23 | Additions | Payments and Disposals | Balance 6/30/24 | Amounts due within 1 year (Current Portion) |
|---|---|---|---|---|
| $ 851,984 | $ 291,273 | $ (460,078) | $ 683,179 | $ 340,460 |

The principal and interest expense for the next five years and beyond are projected below for lease obligations:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 340,460 | $ 21,047 | $ 361,507 |
| 2026 | 199,910 | 11,396 | 211,306 |
| 2027 | 101,797 | 3,777 | 105,574 |
| 2028 | 31,745 | 1,037 | 32,782 |
| 2029 | 9,267 | 112 | 9,379 |
| Total Requirements | $ 683,179 | $ 37,369 | $ 720,548 |
| Less Current | $ (340,460) | | |
| Non-Current | $ 342,719 | | |

For the year ended June 30, 2024, CSUS earned a total of $332,411 in lease revenue and $70,324 in lease interest revenue.

Lease receivable principal and interest requirements to maturity as of June 30, 2024 are as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 352,079 | $ 56,235 | $ 408,314 |
| 2026 | 347,983 | 45,200 | 393,183 |
| 2027 | 344,621 | 33,591 | 378,212 |
| 2028 | 297,593 | 22,748 | 320,341 |
| 2029 | 168,445 | 14,304 | 182,749 |
| 2030-2034 | 189,484 | 42,516 | 232,000 |
| 2035-2039 | 110,515 | 6,485 | 117,000 |
| 2040-2044 | 1,475 | 525 | 2,000 |
| 2045-2049 | 1,748 | 252 | 2,000 |
| 2050-2054 | 387 | 13 | 400 |
| Total | $ 1,814,330 | $ 221,869 | $ 2,036,199 |

**6. Subscription-Based Information Technology Arrangements**

CSUS has entered into various SBITAs that convey CSUS control of the right of use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. The long-term liability activity for the year ended June 30, 2024, is summarized as follows:

| Balance 7/1/23 | Additions | Payments and Disposals | Balance 6/30/24 | Amounts due within 1 year (Current Portion) |
|---|---|---|---|---|
| $16,895,933 | $ 911,060 | $ (5,084,408) | $12,722,585 | $ 4,705,865 |

The principal and interest expense for the next five years and beyond are projected below for subscription obligations:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 4,705,865 | $ 526,987 | $ 5,232,852 |
| 2026 | 1,625,786 | 391,933 | 2,017,721 |
| 2027 | 1,415,871 | 313,786 | 1,729,657 |
| 2028 | 1,285,927 | 244,167 | 1,530,094 |
| 2030 | 1,393,442 | 182,586 | 1,576,028 |
| Thereafter | 2,295,694 | 177,239 | 2,472,933 |
| Total Requirements | $ 12,722,585 | $ 1,836,698 | $ 14,559,285 |
| | | | |
| Less Current | $ (4,705,865) | | |
| | | | |
| Non-Current | $ 8,016,720 | | |

## 7. Accrued Compensated Absences

Accrued compensated absences as of June 30 include:

| | 2024 |
|---|---|
| Accrued vacation | $ 33,100,194 |
| Accrued sick leave | 26,889,986 |
| Other accrued fringe benefits | 4,600,189 |
| | 64,590,369 |
| Less: current portion | (6,479,594) |
| Noncurrent portion | $ 58,110,775 |

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

| | |
|---|---|
| Balance as of June 30, 2023 | $ 63,805,598 |
| Net Changes FY 2024 | 784,771 |
| Balance as of June 30, 2024 | $ 64,590,369 |

These accruals represent estimated amounts earned by all eligible employees through June 30, 2024. 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.

## 8. 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 2024.

Accrued salaries 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:

| | 2024 |
|---|---|
| Receivable for accrued salaries to be paid by State of Connecticut General Fund | $ 17,261,964 |
| State appropriations for capital projects | 22,690,871 |
| Other | 782,464 |
| | $ 40,735,299 |

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

| | 2024 |
|---|---|
| Cash balances held with the State of Connecticut on behalf of the CSUS | $ 401,673,188 |
| Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF) | 100,392,580 |
| | $ 502,065,768 |

## 9. 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 were as follows:

| | 2024 |
|---|---|
| System Office | $ 1,406,857 |
| Central Connecticut State University | 7,178,152 |
| Eastern Connecticut State University | 1,656,845 |
| Southern Connecticut State University | 7,261,725 |
| Western Connecticut State University | 2,939,129 |
| | $ 20,442,708 |

## 10. 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 Annual Comprehensive 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% match by the State 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 Alternate Retirement Program (ARP). Prior to this fiscal year, CSCU made contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut. Effective fiscal year 2024, the State pays retirement-related fringe benefit costs for all employees of the constituent units of the state higher education system.

Alternatively, employees may choose to participate in the ARP, which is a defined contribution plan managed by Empower. For eligible employees who first became ARP participants prior to September 1, 2017, they contribute 5.0% of their pay and the State contributes 7.0% to participants' investment accounts. For employees becoming ARP participants on or after September 1, 2017, they contribute 6.5% and the State contributes 7.0% to individual participants' investment accounts managed by Empower. Employees that became ARP employees on or after September 1, 2017 may opt out of the 6.5% contribution and elect a 5.0% participant contribution.

*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 State contributed $84.2 million and $1.8 million, on behalf of the System, for SERS and TRS, respectively. The State's contributions for fiscal year 2024, were funded by CSUS's contributions to SERS and TRS during the July 1, 2022 – June 30, 2023 measurement period, which were made in accordance with fringe benefit rates assessed by the State on eligible salaries and wages of each participant category. However, legislation effective July 1, 2023, changed CSUS's State funding structure concerning employer contributions. As a result, CSUS did not make any contributions to SERS and TRS in fiscal year 2024, as these were completely funded by the State. Furthermore, no amounts were reported as deferred outflows of resources as of June 30, 2024, for contributions made subsequent to the measurement date.

*Net Pension Liability*
The Systems' net pension liability (NPL) is valued one year in arrears. The total pension liability (TPL) used to calculate the NPL was determined based on the annual actuarial funding valuation reports as of June 30, 2023, for SERS and TRS. CSUS's proportion of the collective NPL was based on CSUS's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, CSUS's proportion was 2.58% and 0.11% for SERS and TRS, respectively, at the measurement date of June 30, 2023. SERS decreased by 0.84 percentage points from its proportion measured as of June 30, 2022, and TRS proportion was unchanged.

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, 2024 for SERS and TRS was $535.2 million and $19.2 million, respectively.

Legislative changes effective after the June 30, 2023 measurement date are anticipated to impact CSUS's proportionate share of the collective net pension liabilities, deferred inflows and deferred outflows of resources, and related pension expenses in future periods. The implications of these changes are still being evaluated as of the reporting date.

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

| Measurement Year | 2023 |
|---|---|
| Inflation | 2.50% |
| Salary increases including inflation | 3.00% to 11.50% |
| Investment rate of return net of pension plan investment expense, including inflation | 6.90% |

Mortality rates were based on the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2023 valuation (which was the basis for recording the June 30, 2024 financial statement liabilities) were based on the results of an actuarial experience study for the five-year period July 1, 2015 – June 30, 2020.

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 best estimates of geometric rates of return for each major asset class as of the 2023 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 6.8% |
| Public Credit | 2.0% | 2.9% |
| Core Fixed Income | 13.0% | 0.4% |
| Liquidity Fund | 1.0% | -0.4% |
| Risk Mitigation | 5.0% | 0.1% |
| Private Equity | 15.0% | 11.2% |
| Private Credit | 10.0% | 6.1% |
| Real Estate | 10.0% | 6.2% |
| Infrastructure and Natural Resources | 7.0% | 7.7% |
| | 100.0% | |

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

| Measurement Year | 2023 |
|---|---|
| Inflation | 2.50% |
| Salary increases including inflation | 3.00% to 6.50% |
| Investment rate of return net of pension plan investment expense, including inflation | 6.90% |

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at age 82 and above), projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The Pub-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 Employee Table projected generationally with MP-2019 was used 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 as of the 2023 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 6.8% |
| Public Credit | 2.0% | 2.9% |
| Core Fixed Income | 13.0% | 0.4% |
| Liquidity Fund | 1.0% | -0.4% |
| Risk Mitigation | 5.0% | 0.1% |
| Private Equity | 15.0% | 11.2% |
| Private Credit | 10.0% | 6.1% |
| Real Estate | 10.0% | 6.2% |
| Infrastructure and Natural Resources | 7.0% | 7.7% |
| | 100.0% | |

*Discount Rate for SERS:*
The discount rate used to measure the total pension liability was 6.9% in the 2023 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 6.9% in the 2023 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 6.9% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease (SERS - 5.9%) (TRS - 5.9%) | Current Discount (SERS - 6.9%) (TRS - 6.9%) | 1% Increase (SERS - 7.9%) (TRS - 7.9%) |
|---|---|---|---|
| SERS | $ 664,349,204 | $ 535,248,600 | $ 427,628,947 |
| TRS | 25,024,841 | 19,154,976 | 14,282,280 |

*Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pension Plan*
For the year ended June 30, 2024, the CSUS recognized pension expense of $9.1 million. A schedule of deferred outflows and inflows of resources as of June 30, 2024 is presented in Note 15. 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 and thereafter is as follows:

| Fiscal Year Ending June 30, | SERS | TRS | Total |
|---|---|---|---|
| 2025 | $ (46,186,736) | $ 203,934 | $ (45,982,802) |
| 2026 | (62,402,661) | (814,244) | (63,216,905) |
| 2027 | (62,209,178) | 472,264 | (61,736,914) |
| 2028 | (36,969,842) | 165,844 | (36,803,998) |
| 2029 | (5,843,231) | 87,550 | (5,755,681) |
| Thereafter | - | 3,339 | 3,339 |
| Total | $ (213,611,648) | $ 118,687 | $ (213,492,961) |

## 11. 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*
SEOPEBP is primarily funded on a pay-as-you-go basis for non-contributory members and 100 percent for contributory members through an annual appropriation in the General Fund. 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 employee's unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary to the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits for a period of time. Employees hired prior to July 1, 2017, contribute 3% of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3% of their salary for 15 years. Contributions are refundable to employees who leave State employment prior to completing the required years of service.

Similar to pension, CSUS's contributions to SEOPEBP during the July 1, 2022 – June 30, 2023 measurement period were determined by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. However, legislation effective July 1, 2023, changed CSUS's State funding structure concerning employer contributions. As a result, CSUS did not make any contributions to SEOPEBP in fiscal year 2024, as these were funded by the State. Furthermore, no amounts were reported as deferred outflows of resources as of June 30, 2024, for contributions made subsequent to the measurement date.

*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, 2024:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 6.8% |
| Public Credit | 2.0% | 2.9% |
| Core Fixed Income | 13.0% | 0.4% |
| Liquidity Fund | 1.0% | -0.4% |
| Risk Mitigation | 5.0% | 0.1% |
| Private Equity | 15.0% | 11.2% |
| Private Credit | 10.0% | 6.1% |
| Real Estate | 10.0% | 6.2% |
| Infrastructure and Natural Resources | 7.0% | 7.7% |
| | 100.0% | |

*Net OPEB Liability*
The Systems' net OPEB (NOL) liability is valued one year in arrears. The total OPEB liability (TOL) used to calculate the NOL was determined based on an actuarial valuation report as June 30, 2023. The TOL measured since the prior measurement date of June 30, 2022, reflects changes in actuarial assumptions. The discount rate was updated for contributory and non-contributory members. Per capita health cost, administrative costs, and retiree contributions were updated for recent experience. Actuarial factors used to estimate individual retiree and spouse costs by age and gender were adjusted. In addition, healthcare cost trend rates and retiree contribution rates were adjusted and the Medicare prescription drug trend rates were updated to include an estimate for the impact of the Inflation Reduction Act.

CSUS's proportion of the collective NOL was based on its share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, the CSUS's proportion was 5.53% as of the measurement date of June 30, 2023, which was a decrease of 0.42 percentage points from its proportion measured as of June 30, 2022. CSUS's proportionate share of the collective NOL as of June 30, 2024 was $862.3 million.

Legislative changes effective after the June 30, 2023 measurement date are anticipated to impact CSUS's proportionate share of the collective net OPEB liabilities, deferred inflows and deferred outflows of resources, and related OPEB expenses in future periods. The implications of these changes are still being evaluated as of the reporting date.

*Actuarial Assumptions:*

The total OPEB liability was determined by actuarial valuations as of June 30, 2024, using the following actuarial assumptions:

| **Measurement Year** | **2024** |
|---|---|
| Inflation | 2.50% |
| Payroll growth rate | 3.00% |
| Salary increases | 3.00% to 11.50% varying by years of service and retirement system |
| Discount rate | 6.90% contributory and 3.65% non-contributory members as of June 30, 2023 |
| | 3.90% for all members as of June 30, 2022 |
| Healthcare cost trend rates: | |
| Medical (Non-Medicare)l | -0.35%, then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year |
| Prescription drug (Non-Medicare) | 2.35%, then 6.50% decreasing by 0.25% each year to an ultimate level of 4.50% pear year |
| Medical and Prescription Drug (Medicare) | 32.51%. 59.22%, 28.24% then 5.75% decreasing by 0.25% each year to an ultimatle level of 4.50% per year |
| Dental | 2.60%, 4.45%, then an ultimate level of 3.00% per year |
| Part B | 4.5% per year |
| Administrative costs | 1.85%, 3.30% then 3.00% per year |

| **Mortality Rates** | |
|---|---|
| Pre-Retirement: | Pub-2010 General, Above-Median, Employee Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Healthy Annuitant: | Pub-2010 General, Above-Median, Healthy Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Disabled Annuitant: | Pub-2010 General, Disabled Retiree Employee Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Contingent Annuitant: | Pub-2010 General, Above-Median, Contingent Annuitant Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |

The projection of cash flows used to determine the discount rate 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% lower or 1% higher than the current rate utilized.

For measurement date of June 30, 2023:

**Discount rate comparison:**

| | 1% Decrease in Discount Rate (5.90%) | Current Discount Rate (6.90%) | 1% Increase in Discount Rate (7.90%) |
|---|---|---|---|
| Net OPEB Liability | $ 1,002,533,866 | $ 862,283,562 | $ 747,445,652 |

**Health care trend rate comparision:**

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---|---|---|---|
| Net OPEB Liability | $ 746,392,044 | $ 862,283,562 | $ 1,004,523,976 |

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

For the year ended June 30, 2024, the CSUS recognized OPEB expense of $2.7 million. A schedule of deferred outflows and inflows of resources as of June 30, 2024 is disclosed in Note 15. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to the CSUS that will be recognized in OPEB expense during the next five years and thereafter is as follows:

| Fiscal Years Ending June 30, | OPEB |
|---|---|
| 2025 | $ (102,065,815) |
| 2026 | (123,212,124) |
| 2027 | (80,319,185) |
| 2028 | (27,896,395) |
| 2029 | (2,948,234) |
| Thereafter | - |
| Total | $ (336,441,753) |

## 12. Unearned Tuition, Fees and Grant Revenue

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

| | 2024 |
|---|---|
| Unearned tuition and fees | $ 20,496,313 |
| Grants and contracts | 17,306,538 |
| Other | 5,099 |
| | $ 37,807,950 |

## 13. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

| | Year ended June 30, 2024 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 | $ 31,140,081 | $ 7,651,636 | $ 1,978,852 | $ 5,497,126 | $ 1,812,684 | $ 564,344 | $ 2,787,122 | $ - | $ - | $ 51,431,845 |
| Auxiliary enterprises | 10,614,260 | 3,402,149 | 1,319,631 | 32,398,740 | 31,358 | 7,142,935 | 640,134 | - | - | 55,549,207 |
| Institutional support | 49,239,400 | 13,792,276 | 8,822,231 | 2,126,452 | 752,322 | 608,934 | 8,395,380 | - | - | 83,736,995 |
| Instruction | 183,737,654 | 46,429,099 | 2,205,114 | 1,683,105 | 554,141 | 3,482,882 | 2,393,088 | - | - | 240,485,083 |
| Physical plant | 36,660,526 | 13,035,359 | 2,008,185 | 708,893 | 58,587 | 43,713,449 | 7,546,578 | 70,835,685 | 7,521,489 | 182,088,751 |
| Public service | 4,531,326 | 1,305,772 | 1,343,921 | 639,108 | 491,267 | 48,015 | 485,171 | - | - | 8,844,580 |
| Research | 3,609,408 | 783,948 | 519,469 | 647,782 | 603,671 | 33,145 | 571,186 | - | - | 6,768,609 |
| Scholarships, loans | | | | | | | | | - | |
| and refunds | 727,707 | 36,443 | 497,082 | 79,535,417 | 25,163 | 6,425 | 102,348 | - | - | 80,930,585 |
| Student services | 53,247,070 | 14,355,533 | 3,762,503 | 3,584,658 | 2,235,016 | 838,704 | 3,055,902 | - | - | 81,079,386 |
| Total expenses | $ 373,507,432 | $ 100,792,215 | $ 22,456,988 | $ 126,821,281 | $ 6,564,209 | $ 56,438,833 | $ 25,976,909 | $ 70,835,685 | $ 7,521,489 | $ 790,915,041 |

## 14. Bonds and Note Payable

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

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

### Bonds Payable

Principal outstanding of the CHEFA Bonds issued directly by CSUS at June 30 was as follows:

| CHEFA Series | Issue Date | Issuance Amount | Mature in Fiscal Years: | Interest Rates: | Outstanding Principal 2024 |
|---|---|---|---|---|---|
| L | 4/4/2012 | $ 49,040,000 | 2013 - 2030 | 2.50% - 4.00% | $ 33,855,000 |
| N | 10/23/2013 | 80,340,000 | 2015 - 2026 | 4.10% - 5.00% | 8,130,000 |
| O | 9/16/2014 | 21,240,000 | 2015 - 2031 | 2.00% - 4.00% | 9,080,000 |
| P-1 | 9/13/2016 | 55,030,000 | 2018 - 2037 | 2.50% - 5.00% | 41,100,000 |
| P-2 | 9/13/2016 | 19,530,000 | 2018 - 2036 | 2.50% - 5.00% | 5,080,000 |
| Q-1 | 5/10/2019 | 71,260,000 | 2021 - 2040 | 3.00% - 5.00% | 61,715,000 |
| Q-2 | 5/10/2019 | 20,845,000 | 2021 - 2032 | 5.00% - 5.00% | 6,275,000 |
| R-1 | 4/27/2021 | 14,640,000 | 2033 - 2034 | 2.00% - 2.125% | 14,640,000 |
| R-2 | 4/27/2021 | 85,110,000 | 2023 - 2034 | 0.35% - 2.45% | 78,080,000 |
| | | | | | $ 257,955,000 |

Series R-2 issuance in fiscal year 2021 refunded portions of Series J, M, and N. 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 were removed from the statement of net position as of June 30, 2021. The $15.7 million portion of Series J that was refunded was redeemed on November 1, 2021 at a price of 100% of the principal amount, plus accrued interest to the redemption date. The $21.2 million portion of Series M that was refunded was redeemed on November 1, 2022 at a price of 100% of the principal amount, plus accrued interest to the redemption date. The $41.7 million portion of Series N that was refunded was redeemed on November 1, 2023 at a price of 100% of the principal amount, plus accrued interest to the redemption date.

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 |
|---|---|---|
| 2025 | $ 21,370,000 | $ 7,707,979 |
| 2026 | 22,175,000 | 6,879,896 |
| 2027 | 20,665,000 | 6,158,035 |
| 2028 | 21,265,000 | 5,536,346 |
| 2029 | 21,920,000 | 4,863,613 |
| 2030-2034 | 109,435,000 | 13,932,733 |
| 2035-2039 | 36,130,000 | 3,110,272 |
| 2040 | 4,995,000 | 78,047 |
| | $ 257,955,000 | $ 48,266,921 |

Long-term bond payable activity for the year ended June 30, 2024 was as follows:

| | Balance June 30, 2023 | Additions | Retirements | Balance June 30, 2024 |
|---|---|---|---|---|
| Bonds payable | $ 279,685,000 | $ - | $ (21,730,000) | $ 257,955,000 |
| Premium on bonds payable | 11,151,743 | - | (1,693,467) | 9,458,276 |
| Discount on bonds payable | (482,774) | - | 87,725 | (395,049) |
| Total bonds payable | $ 290,353,969 | - | $ (23,335,742) | $ 267,018,227 |

**Note Payable**

On October 1, 2022**,** CSCU entered into an installment payment agreement (IPA) with a financial institution for $37.1 million for the purchase of IT infrastructure software and equipment. The outstanding balance on the IPA at June 30, 2024 is $31.8 million, and CSUS's distributive share of this CSCU note payable is $18.8 million and CT State's share is $13.0 million. Part of the agreement included the receipt of cash of an equal amount in an escrow account to be used for the purchase of the equipment. The escrow account totaled $1.0 million at June 30, 2024 and is included in cash and cash equivalents on the financial statements. The escrow account earned $265.3 thousand of interest during 2024. The agreement calls for annual payments that began October 2023 and continues until October 2029 at 0% interest. CSUS's distributive portion of the payments is $3.1 million for the next 6 years.

## 15. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2024:

| As of June 30, 2024 | SERS | TRS | OPEB | Debt Refunding | Leases | Total |
|---|---|---|---|---|---|---|
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| Difference between expected and actual experience | $ 55,957,630 | $ 678,092 | $ 9,007,833 | $ - | $ - | $ 65,643,555 |
| Changes of assumptions or other inputs | - | 1,393,088 | 73,727,526 | - | - | 75,120,614 |
| Net difference between projected and actual earnings on pension plan investments | 10,179,760 | 779,677 | 5,407,725 | - | - | 16,367,162 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 45,277,644 | 1,558,457 | 18,626,178 | - | - | 65,462,279 |
| Loss on bond refunding | - | - | - | 3,782,859 | - | 3,782,859 |
| **Total** | **$ 111,415,034** | **$ 4,409,314** | **$ 106,769,262** | **$ 3,782,859** | **$ -** | **$ 226,376,469** |
| | | | | | | |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Difference between expected and actual experience | $ - | $ 150,988 | $ 58,930,759 | $ - | $ - | $ 59,081,747 |
| Changes of assumptions or other inputs | 544,112 | - | 265,299,141 | - | - | 265,843,253 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 324,482,570 | 4,139,639 | 118,981,115 | - | - | 447,603,324 |
| Unrecognized revenues from other than short term leases | - | - | - | - | 1,819,701 | 1,819,701 |
| **Total** | **$ 325,026,682** | **$ 4,290,627** | **$ 443,211,015** | **$ -** | **$ 1,819,701** | **$ 774,348,025** |

## REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Net Pension Liability and Related Ratios**
**State Employee Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| System's proportion of the net pension liability | 2.58% | 3.42% | 4.91% | 4.55% | 4.57% | 4.07% | 3.81% | 4.23% | 3.96% | 3.61% |
| System's proportionate share of the net pension liability | $ 535,249 | $ 754,892 | $ 1,043,539 | $ 1,078,763 | $ 1,042,307 | $ 882,365 | $ 876,024 | $ 972,053 | $ 653,585 | $ 577,890 |
| System's covered payroll | $ 107,567 | $ 129,631 | $ 212,152 | $ 205,687 | $ 196,238 | $ 175,779 | $ 144,700 | $ 152,195 | $ 154,782 | $ 140,369 |
| System's proportionate share of the net pension liability as a percentage of its covered payroll | 498% | 582% | 492% | 524% | 531% | 502% | 605% | 639% | 422% | 412% |
| Plan Fiduciary net position as a percentage of the total pension liability | 50.59% | 45.76% | 44.55% | 35.84% | 36.79% | 36.62% | 36.25% | 31.69% | 39.23% | 39.54% |

**Teachers Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| System's proportion of the net pension liability | 0.11% | 0.11% | 0.11% | 0.11% | 0.19% | 0.19% | 0.09% | 0.09% | 0.10% | 0.10% |
| System's proportionate share of the net pension liability | $ 19,155 | $ 20,654 | $ 17,117 | $ 21,599 | $ 32,124 | $ 24,769 | $ 12,309 | $ 12,986 | $ 10,524 | $ 9,727 |
| State's proportionate share of the net pension liability associated with the System | $ 19,155 | $ 20,654 | $ 17,117 | $ 21,612 | $ 27,060 | $ 24,769 | $ 12,986 | $ 12,986 | $ 10,524 | $ 9,715 |
| Total | $ 38,310 | $ 41,308 | $ 34,234 | $ 43,211 | $ 59,184 | $ 49,539 | $ 25,296 | $ 25,973 | $ 21,048 | $ 19,442 |
| System's covered payroll | $ 5,524 | $ 5,156 | $ 5,453 | $ 5,331 | $ 5,075 | $ 4,729 | $ 3,652 | $ 4,128 | $ 3,930 | $ 3,813 |
| System's proportionate share of the net pension liability as a percentage of its covered payroll | 347% | 401% | 314% | 405% | 633% | 524% | 337% | 315% | 268% | 255% |
| Plan Fiduciary net position as a percentage of the total pension liability | 58.39% | 54.06% | 49.24% | 52.00% | 57.69% | 55.93% | 52.26% | 59.50% | 61.56% | N/A |

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| System's proportion of the net OPEB liability | 5.53% | 5.95% | 6.10% | 6.13% | 6.47% | 5.57% | 4.62% | 4.73% |
| System's proportionate share of the net OPEB liability | $ 862,284 | $ 921,402 | $ 1,191,797 | $ 1,443,409 | $ 1,338,987 | $ 967,346 | $ 996,032 | $ 1,021,242 |
| System's covered payroll | $ 268,988 | $ 223,462 | $ 222,718 | $ 229,674 | $ 234,304 | $ 246,719 | $ 251,239 | $ 260,591 |
| System's proportionate share of the net OPEB liability as a percentage of its covered payroll | 321% | 412% | 535% | 628% | 571% | 392% | 396% | 392% |
| Plan Fiduciary net position as a percentage of the total OPEB liability | 14.60% | 12.63% | 10.12% | 6.13% | 5.40% | 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.

**State Employee Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 84,163 | $ 97,529 | $ 87,694 | $ 73,503 | $ 72,115 | $ 59,187 | $ 64,638 | $ 64,086 | $ 54,526 | $ 45,789 |
| Contributions in relation to the contractually required contribution | (84,163) | (97,529) | (87,694) | (73,503) | (72,115) | (58,714) | (64,121) | (63,574) | (54,254) | (45,789) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ 473 | $ 517 | $ 513 | $ 273 | $ - |
| System's covered payroll | $ 107,567 | $ 129,631 | $ 212,152 | $ 205,687 | $ 196,238 | $ 175,779 | $ 144,700 | $ 152,195 | $ 154,782 | $ 140,369 |
| Contributions as a percentage of covered payroll | 78.24% | 75.24% | 41.34% | 35.74% | 36.75% | 33.40% | 44.31% | 41.77% | 35.05% | 32.62% |

**Teachers Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,777 | $ 1,628 | $ 1,433 | $ 1,386 | $ 2,432 | $ 2,394 | $ 923 | $ 889 | $ 944 | $ 910 |
| Contributions in relation to the contractually required contribution | (1,792) | (2,425) | (1,831) | (1,596) | (1,861) | (1,234) | (570) | (1,324) | (1,517) | (1,343) |
| Contribution deficiency (excess) | $ (14) | $ (797) | $ (398) | $ (210) | $ 571 | $ 1,160 | $ 353 | $ (435) | $ (573) | $ (433) |
| System's covered payroll | $ 5,524 | $ 5,156 | $ 5,453 | $ 5,331 | $ 5,075 | $ 4,729 | $ 3,652 | $ 4,128 | $ 3,930 | $ 3,813 |
| Contributions as a percentage of covered payroll | 32.44% | 47.03% | 33.58% | 29.95% | 36.66% | 26.10% | 15.59% | 32.07% | 38.60% | 35.22% |

**Schedule of Contributions**
**Other Post Employment Benefits**
Last 10 Fiscal Years [1]
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 47,016 | $ 50,411 | $ 52,980 | $ 53,174 | $ 48,746 | $ 44,677 | $ 38,553 | $ 36,046 |
| Contributions in relation to the contractually required contribution | (47,016) | (50,411) | (52,980) | (53,174) | (48,746) | (44,677) | (38,553) | (36,046) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| System's covered payroll | $ 268,988 | $ 223,462 | $ 222,718 | $ 229,674 | $ 234,304 | $ 246,719 | $ 251,239 | $ 260,591 |
| Contributions as a percentage of covered employee payroll | 17.48% | 22.56% | 23.79% | 23.15% | 20.80% | 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.

## 1. Supplementary Information

Pension Plans

Changes of benefit terms:

- Legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019

Changes of assumptions:

- None

State Employee OPEB Plan

Changes of benefit terms:

- None

Changes of assumptions:

Effective June 30, 2023:

- The discount rate was updated in accordance with GASB No. 75 to 3.90% as of June 30, 2022

Effective June 30, 2024:

- The discount rate was updated to 6.90% as of June 30, 2023 for contributory members and 3.65% as of June 30, 2023 for non-contributory members.
- The per capita health costs, administrative expenses and retiree contributions were updated for recent experience.
- The actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated.
- The health care cost trend rates and the retiree contribution increase rates were revised to reflect current experience and future expectations.
- The Medicare prescription drug trend rates were updated to reflect an estimate for the impact of the Inflation Reduction Act.

## SUPPLEMENTARY SCHEDULES

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2024 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | $ 93,600,779 | $ 40,659,380 | $ 79,708,464 | $ 36,112,434 | $ 43,068,866 | $ - | $ 293,149,923 |
| Investments | - | - | - | - | 37,656,187 | - | 37,656,187 |
| Accounts receivable, net | 7,752,582 | 2,284,099 | 4,290,516 | 2,114,420 | 4,619 | - | 16,446,236 |
| Due from the State of Connecticut | 11,858,425 | 7,923,659 | 12,496,758 | 5,957,101 | 2,499,356 | - | 40,735,299 |
| Due from SO and Universities | 10,057 | 241,940 | 560,223 | 1,096,121 | 75,368 | (1,983,709) | - |
| Prepaid expenses and other current assets | 4,807,711 | 1,479,043 | 1,880,988 | 268,603 | 345,694 | - | 8,782,039 |
| Total current assets | 118,029,554 | 52,588,121 | 98,936,949 | 45,548,679 | 83,650,090 | (1,983,709) | 396,769,684 |
| Noncurrent assets: | | | | | | | |
| Cash and cash equivalents | 62,444,409 | 26,138,278 | 32,169,746 | 365,244 | 92,854,535 | - | 213,972,212 |
| Investments | - | - | - | - | 29,741,796 | - | 29,741,796 |
| Accounts receivable, net | 742,512 | 530,995 | 2,615,762 | 30,073 | - | - | 3,919,342 |
| Other assets | - | - | 21,230 | - | - | - | 21,230 |
| Investment in capital assets | 710,996,364 | 534,591,141 | 729,085,560 | 467,809,593 | 47,157,772 | - | 2,489,640,430 |
| Accumulated depreciation | (331,221,424) | (248,397,110) | (383,174,007) | (237,026,871) | (22,612,214) | - | (1,222,431,626) |
| Investment in capital assets, net of accumulated depreciation | 379,774,940 | 286,194,031 | 345,911,553 | 230,782,722 | 24,545,558 | - | 1,267,208,804 |
| Total noncurrent assets | 442,961,861 | 312,863,304 | 380,718,291 | 231,178,039 | 147,141,889 | - | 1,514,863,384 |
| Total assets | $ 560,991,415 | $ 365,451,425 | $ 479,655,240 | $ 276,726,718 | $ 230,791,979 | $ (1,983,709) | $ 1,911,633,068 |
| **Deferred outflows of resources:** | | | | | | | |
| Deferred pension | $ - | $ - | $ - | $ - | $ 115,824,348 | $ - | $ 115,824,348 |
| Deferred other post employment benefits | - | - | - | - | 106,769,262 | - | 106,769,262 |
| Deferred loss on bond refunding | - | - | - | - | 3,782,859 | - | 3,782,859 |
| Total deferred outflows of resources | $ - | $ - | $ - | $ - | $ 226,376,469 | $ - | $ 226,376,469 |

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2024 |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | $ 7,548,289 | $ 2,421,034 | $ 5,303,023 | $ 3,027,690 | $ 299,425 | $ - | $ 18,599,461 |
| Accrued salaries and benefits | 15,236,835 | 7,341,648 | 15,620,771 | 7,085,779 | 441,474 | - | 45,726,507 |
| Accrued compensated absences | 2,260,461 | 1,433,390 | 1,791,680 | 759,384 | 234,679 | - | 6,479,594 |
| Due to the State of Connecticut | 53,986 | 1,076 | 292,046 | - | - | - | 347,108 |
| Due to SO and Universities | 18,819 | 20,133 | 18,819 | 17,597 | 1,908,341 | (1,983,709) | - |
| Unearned tuition,fees and grant revenue | 13,259,062 | 3,321,187 | 13,935,212 | 7,292,489 | - | - | 37,807,950 |
| Bonds payable | - | - | - | - | 21,370,000 | - | 21,370,000 |
| Note Payable | - | - | - | - | 3,139,036 | - | 3,139,036 |
| Accrued bond interest payable | - | - | - | - | 1,351,496 | - | 1,351,496 |
| Leases payable | 156,255 | 57,495 | 62,316 | 64,394 | - | - | 340,460 |
| Subscription liabilities | 755,557 | 874,198 | 1,089,059 | 1,159,307 | 827,744 | - | 4,705,865 |
| Other liabilities | 392,777 | 68,531 | 637,796 | 609,964 | 1,416,517 | - | 3,125,585 |
| Depository accounts | 2,486,879 | 1,350,465 | 2,934,020 | 159,280 | - | - | 6,930,644 |
| Total current liabilities | 42,168,920 | 16,889,157 | 41,684,742 | 20,175,884 | 30,988,712 | (1,983,709) | 149,923,706 |
| Noncurrent liabilities: | | | | | | | |
| Accrued compensated absences | 18,140,814 | 9,076,659 | 20,146,757 | 9,358,267 | 1,388,278 | - | 58,110,775 |
| Bonds payable | - | - | - | - | 245,648,227 | - | 245,648,227 |
| Note payable | - | - | - | - | 15,695,188 | - | 15,695,188 |
| Federal loan program advances | - | 360,904 | - | 804,077 | - | - | 1,164,981 |
| Deferred compensation | - | - | - | - | - | - | - |
| Leases payable | 214,670 | 24,694 | 84,655 | 18,700 | - | - | 342,719 |
| Subscription liabilities | 876,792 | 687,980 | 1,005,398 | 1,185,780 | 4,260,770 | - | 8,016,720 |
| Other noncurrent liabilities | - | 29,645 | 3,726,666 | 28,196 | - | - | 3,784,507 |
| Pension liability, net | - | - | - | - | 554,403,575 | - | 554,403,575 |
| Other post employment benefits, net | - | - | - | - | 862,283,562 | - | 862,283,562 |
| Total noncurrent liabilities | 19,232,276 | 10,179,882 | 24,963,476 | 11,395,020 | 1,683,679,600 | - | 1,749,450,254 |
| Total liabilities | $ 61,401,196 | $ 27,069,039 | $ 66,648,218 | $ 31,570,904 | $ 1,714,668,312 | $ (1,983,709) | $ 1,899,373,960 |
| **Deferred inflows of resources:** | | | | | | | |
| Deferred pension | $ - | $ - | $ - | $ - | $ 329,317,309 | $ - | $ 329,317,309 |
| Deferred other post employment benefits | - | - | - | - | 443,211,015 | - | 443,211,015 |
| Deferred lease Inflows | 812,898 | 645,529 | 361,274 | - | - | - | 1,819,701 |
| Total deferred inflows of resources | $ 812,898 | $ 645,529 | $ 361,274 | $ - | $ 772,528,324 | $ - | $ 774,348,025 |
| **Net Position** | | | | | | | |
| Net investment in capital assets | $ 377,771,666 | $ 285,223,498 | $ 343,670,124 | $ 230,782,722 | $ (239,324,615) | $ - | $ 998,123,395 |
| Restricted: | | | | | | | |
| Nonexpendable | - | 60,000 | 75,036 | 407,116 | - | - | 542,152 |
| Expendable | 10,921,733 | 4,336,747 | 4,908,892 | 2,083,308 | 45,870,765 | - | 68,121,445 |
| Unrestricted | 110,083,922 | 48,116,612 | 63,991,696 | 11,882,668 | (1,836,574,338) | - | (1,602,499,440) |
| Total net position | $ 498,777,321 | $ 337,736,857 | $ 412,645,748 | $ 245,155,814 | $ (2,030,028,188) | $ - | $ (535,712,448) |

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2024 |
|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | |
| Tuition and fees: | | | | | | | |
| Tuition and fees, gross | $ 118,464,678 | $ 46,760,183 | $ 116,667,379 | $ 50,448,479 | $ - | $ - | $ 332,340,719 |
| Less: | | | | | | | |
| Scholarships allowance | (17,024,155) | (14,367,216) | (8,374,553) | (7,031,413) | - | - | (46,797,337) |
| Waivers | (6,687,642) | (2,403,847) | (9,995,569) | (1,912,743) | - | - | (20,999,801) |
| Tuition and fees, net of scholarship allowances and waivers | 94,752,881 | 29,989,120 | 98,297,257 | 41,504,323 | - | - | 264,543,581 |
| Federal grants and contracts | 8,102,108 | 3,606,781 | 9,751,311 | 1,527,581 | - | - | 22,987,781 |
| State and local grants and contracts | 2,223,316 | 556,607 | 1,764,022 | 3,341,757 | - | - | 7,885,702 |
| Nongovernment grants and contracts | 2,084,445 | 7,592 | 5,339,329 | 37,922 | - | - | 7,469,288 |
| Indirect cost recoveries | 396,496 | 35,057 | 239,227 | 235 | - | - | 671,015 |
| Auxiliary revenues | 31,192,661 | 27,795,700 | 27,526,338 | 15,664,623 | - | - | 102,179,322 |
| Other operating revenues | 2,502,691 | 755,251 | 1,200,764 | 982,707 | 18,420 | - | 5,459,833 |
| Total operating revenues | 141,254,598 | 62,746,108 | 144,118,248 | 63,059,148 | 18,420 | - | 411,196,522 |
| Operating expenses: | | | | | | | |
| Salaries and wages | 114,849,249 | 61,172,737 | 127,681,684 | 64,333,162 | 5,470,600 | - | 373,507,432 |
| Fringe benefits | 28,818,737 | 15,038,941 | 29,534,556 | 14,438,273 | 12,961,708 | - | 100,792,215 |
| Professional services and fees | 6,625,191 | 3,139,725 | 7,059,639 | 3,696,718 | 1,935,715 | - | 22,456,988 |
| Educational services and support | 41,420,960 | 16,432,793 | 48,135,611 | 20,116,063 | 715,854 | - | 126,821,281 |
| Travel expenses | 2,401,458 | 886,617 | 2,373,918 | 743,370 | 158,846 | - | 6,564,209 |
| Operation of facilities | 21,456,020 | 8,906,700 | 12,486,235 | 13,583,602 | 6,276 | - | 56,438,833 |
| Other operating supplies and expenses | 7,468,881 | 6,489,896 | 6,379,322 | 5,204,006 | 434,804 | - | 25,976,909 |
| Depreciation expense | 19,526,757 | 16,381,303 | 21,582,410 | 12,798,862 | 546,353 | - | 70,835,685 |
| Amortization expense | 1,477,133 | 1,202,627 | 1,637,298 | 1,439,604 | 1,764,827 | - | 7,521,489 |
| Total operating expenses | 244,044,386 | 129,651,339 | 256,870,673 | 136,353,660 | 23,994,983 | - | 790,915,041 |
| Operating loss | $ (102,789,788) | $ (66,905,231) | $ (112,752,425) | $ (73,294,512) | $ (23,976,563) | $ - | $ (379,718,519) |

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2024 |
|---|---|---|---|---|---|---|---|
| Nonoperating revenues (expenses) | | | | | | | |
| State appropriations | $ 59,987,856 | $ 36,289,706 | $ 58,245,452 | $ 38,923,537 | $ 16,428,367 | $ - | $ 209,874,918 |
| Pell grant revenue | 15,857,448 | 6,133,176 | 15,583,412 | 6,787,505 | - | - | 44,361,541 |
| Federal emergency grant revenue | 29,591,794 | 14,551,458 | 28,763,855 | 13,929,907 | - | - | 86,837,014 |
| Gifts | 3,495,471 | 233,988 | 1,295,002 | 27,484 | - | - | 5,051,945 |
| Investment income | 8,498,238 | 3,814,295 | 6,373,418 | 2,148,347 | 9,326,724 | - | 30,161,022 |
| Interest expense | (15,542) | (105,379) | (142,194) | 47,593 | (8,338,482) | - | (8,554,004) |
| Capital projects financed by SO | 3,774,474 | 2,853,434 | 3,342,929 | 3,503,212 | (13,474,049) | - | - |
| Other nonoperating revenues (expenses), net | 220,904 | 20,846 | 782,605 | 202,664 | 186,072 | - | 1,413,091 |
| Net nonoperating revenues (expenses) | 121,410,643 | 63,791,524 | 114,244,479 | 65,570,249 | 4,128,632 | - | 369,145,527 |
| Income (loss) before other changes in net position | 18,620,855 | (3,113,707) | 1,492,054 | (7,724,263) | (19,847,931) | - | (10,572,992) |
| Other changes in net position | | | | | | | |
| State appropriations restricted for capital purposes | 20,821,143 | 8,926,968 | 6,666,223 | 1,276,916 | 702,858 | - | 38,394,108 |
| Loss on disposal of capital assets | (1,907,699) | (368,304) | (126,558) | (16,130) | - | - | (2,418,691) |
| Interagency transfers | (14,848,363) | (7,704,320) | (10,038,453) | (6,650,733) | 39,241,869 | - | - |
| Other changes in net position | 4,065,081 | 854,344 | (3,498,788) | (5,389,947) | 39,944,727 | - | 35,975,417 |
| Change in net position | 22,685,936 | (2,259,363) | (2,006,734) | (13,114,210) | 20,096,796 | - | 25,402,425 |
| Net position at beginning of year | 476,091,385 | 339,996,220 | 414,652,482 | 258,270,024 | (2,050,124,984) | - | (561,114,873) |
| Net position at end of year | $ 498,777,321 | $ 337,736,857 | $ 412,645,748 | $ 245,155,814 | (2,030,028,188) | $ - | $ (535,712,448) |

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2024 |
|---|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | | |
| Tuition and fees | $ 93,670,799 | $ 28,168,359 | $ 98,816,311 | $ 43,977,985 | $ - | $ - | $ 264,633,454 |
| Grants and contracts | 14,201,818 | 4,170,980 | 18,194,025 | 4,123,638 | - | - | 40,690,461 |
| Auxiliary revenues | 30,760,208 | 27,721,885 | 26,140,957 | 15,760,742 | - | - | 100,383,792 |
| Other operating revenues | 2,735,599 | 967,328 | 46,103 | 1,379,612 | 18,420 | - | 5,147,062 |
| Payments to employees for salaries and benefits | (145,946,111) | (78,172,407) | (157,589,867) | (81,002,755) | (7,112,153) | - | (469,823,293) |
| Payments to suppliers | (797,391) | (809,597) | (1,775,738) | (2,403,766) | (92,912) | - | (5,879,404) |
| Professional services and fees | (6,606,372) | (3,144,592) | (7,040,820) | (3,679,121) | (2,011,083) | - | (22,481,988) |
| Educational services and support | (41,420,960) | (16,432,792) | (48,135,611) | (20,116,063) | (715,854) | - | (126,821,280) |
| Travel expenses | (2,401,458) | (886,617) | (2,373,918) | (743,370) | (158,846) | - | (6,564,209) |
| Operation of facilities | (21,456,019) | (8,906,700) | (12,486,235) | (13,583,602) | (6,276) | - | (56,438,832) |
| Other operating supplies and expenses | (4,179,182) | (5,674,013) | (4,662,947) | (7,052,532) | (288,067) | - | (21,856,741) |
| Net cash used in operating activities | (81,439,069) | (52,998,166) | (90,867,740) | (63,339,232) | (10,366,771) | - | (299,010,978) |
| Cash flows from noncapital financing activities: | | | | | | | |
| State appropriations | 65,601,124 | 36,028,225 | 61,651,586 | 43,327,021 | 16,407,495 | - | 223,015,451 |
| Gifts for other than capital purposes | 3,495,471 | 233,989 | 1,295,002 | 27,484 | - | - | 5,051,946 |
| Nonoperating grants and revenue other | 45,666,301 | 20,623,330 | 45,129,871 | 20,892,763 | - | - | 132,312,265 |
| Interagency transfers | (14,848,363) | (7,704,320) | (10,038,453) | (6,650,733) | 39,241,869 | - | - |
| Net cash provided by noncapital financing activities | $ 99,914,533 | $ 49,181,224 | $ 98,038,006 | $ 57,596,535 | $ 55,649,364 | $ - | $ 360,379,662 |
| Cash flows from investing activities: | | | | | | | |
| Proceeds from sales and maturities of investments | $ - | $ - | $ - | $ - | $ 43,273,421 | $ - | 43,273,421 |
| Purchases of investments | - | - | - | - | (30,731,498) | - | (30,731,498) |
| Interest and dividends received on investments | 8,444,379 | 3,814,295 | 6,446,371 | 2,156,405 | 10,258,763 | - | 31,120,213 |
| Net cash provided by investing activities | 8,444,379 | 3,814,295 | 6,446,371 | 2,156,405 | 22,800,686 | - | 43,662,136 |
| Cash flows from capital and related financing activities: | | | | | | | |
| Purchases of capital assets | (30,575,264) | (12,563,340) | (15,312,656) | (1,079,044) | (161,770) | - | (59,692,074) |
| Capital projects financed by SO | 10,359,211 | 8,272,738 | 6,786,463 | 8,084,119 | (33,502,531) | - | - |
| State capital appropriations received | 18,708,354 | 8,926,968 | 10,285,980 | 1,276,916 | 676,272 | - | 39,874,490 |
| Principal paid on debt and other obligations | (678,155) | (714,546) | (805,463) | (748,386) | (26,323,892) | - | (29,270,442) |
| Interest paid on debt and other obligations | (15,542) | (105,476) | (133,553) | 4,928 | (8,821,150) | - | (9,070,793) |
| Net cash provided by (used in) capital and related financing activities | (2,201,396) | 3,816,344 | 820,771 | 7,538,533 | (68,133,071) | - | (58,158,819) |
| Net increase (decrease) in cash and cash equivalents | 24,718,447 | 3,813,697 | 14,437,408 | 3,952,241 | (49,792) | - | 46,872,001 |
| Cash and cash equivalents, beginning of year | 131,326,741 | 62,983,961 | 97,440,802 | 32,525,437 | 135,973,193 | - | 460,250,134 |
| Cash and cash equivalents, end of year | $ 156,045,188 | $ 66,797,658 | $ 111,878,210 | $ 36,477,678 | $ 135,923,401 | $ - | $ 507,122,135 |

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2024 |
|---|---|---|---|---|---|---|---|
| Reconciliation of operating loss to net cash used in operating activities: | | | | | | | |
| Operating loss | $ (102,789,788) | $ (66,905,231) | $ (112,752,425) | $ (73,294,512) | $ (23,976,563) | $ - | $ (379,718,519) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Depreciation expense | 19,526,757 | 16,381,303 | 21,582,410 | 12,798,862 | 546,353 | - | 70,835,685 |
| Amortization | 1,477,133 | 1,202,627 | 1,637,298 | 1,439,604 | 1,764,827 | - | 7,521,489 |
| Changes in assets and liabilities: | | | | | | | |
| Receivables | (1,162,984) | (424,214) | (1,639,234) | 264,649 | - | - | (2,961,783) |
| Prepaid expenses and other | (631,025) | 206,757 | (242,552) | 27,925 | 44,395 | - | (594,500) |
| Accounts payable | 2,925,996 | (244,818) | 659,410 | (4,228,578) | 8,751 | - | (879,239) |
| Accrued salaries and benefits | (3,096,109) | (1,552,780) | (3,329,166) | (2,007,863) | 7,871 | - | (9,978,047) |
| Other liabilities | 92,906 | 44,348 | 2,069,085 | 24,853 | 679 | - | 2,231,871 |
| Due to/from State of Connecticut | - | 944 | 5,358 | (162) | - | - | 6,140 |
| Due to/from Universities | 8,762 | (21,626) | 4,582 | 5,505 | 2,777 | - | - |
| Unearned tuition, fees and grant revenues | 1,256,974 | (1,955,961) | 894,052 | 1,814,375 | - | - | 2,009,440 |
| Deferred compensation | - | - | - | - | (409,428) | - | (409,428) |
| Depository accounts | 224,313 | 104,459 | (317,086) | 27,315 | - | - | 39,001 |
| Accrued compensated absences | 828,041 | (392,133) | 736,198 | (211,205) | (176,130) | - | 784,771 |
| Pension liability | - | - | - | - | (221,142,658) | - | (221,142,658) |
| Other post employment benefits | - | - | - | - | (59,118,005) | - | (59,118,005) |
| Changes in deferred outflows | - | - | - | - | 290,214,064 | - | 290,214,064 |
| Changes in deferred inflows | (100,045) | 558,159 ` | (175,670) | - | 1,866,296 | - | 2,148,740 |
| Net cash used in operating activities | $ (81,439,069) | $ (52,998,166) | $ (90,867,740) | $ (63,339,232) | $ (10,366,771) | $ - | $ (299,010,978) |
| Noncash investing, noncapital financing and capital and related financing transactions: | | | | | | | |
| Fixed assets included in accounts payable | $ 94,877 | $ 1,428,601 | $ 1,889,690 | $ 1,084,030 | $ - | $ - | $ 4,497,198 |
| Reconciliation of cash and cash equivalents to the combined statements of net assets: | | | | | | | |
| Cash and cash equivalents classified as current assets | $ 93,600,779 | $ 40,659,380 | $ 79,708,464 | $ 36,112,434 | $ 43,068,866 | $ - | $ 293,149,923 |
| Cash and cash equivalents classified as noncurrent assets | 62,444,409 | 26,138,278 | 32,169,746 | 365,244 | 92,854,535 | - | 213,972,212 |
| | $ 156,045,188 | $ 66,797,658 | $ 111,878,210 | $ 36,477,678 | $ 135,923,401 | $ - | $ 507,122,135 |

**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.

# Connecticut State Community College

# Annual Comprehensive Financial Report

## for the year ended June 30, 2024

*Included as an Enterprise Fund of the State of Connecticut*

DRAFT
2/24/25

CSCU

# Connecticut State Community College

## Annual Comprehensive Financial Report

### For the Year Ended June 30, 2024

***Included as an Enterprise Fund of the State of Connecticut***

***Prepared by the Office of the Controller***

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# INTRODUCTORY SECTION

## Connecticut State Colleges and Universities
### Members of the Board of Regents for Higher Education
### As of June 30, 2024

**APPOINTED BY THE GOVERNOR**
JoAnn Ryan, Chair
James McCarthy, Vice Chair
Ira Bloom
Marty Guay
Juanita James
Richard Porth
Ari Santiago
Elease E. Wright
Ted Yang

**APPOINTED BY LEGISLATIVE LEADERS**
Richard J. Balducci
Sophia Jappinen
Erin Stewart

**APPOINTED BY STUDENTS**
Luis Sanchez

*As of June 30, 2024 there were two vacancies: one Legislative Appointee and one Student Regent.*

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

| | |
|---|---|
| Brendan Cunningham | Chair of the Faculty Advisory Committee |
| Colena Sesanker | Vice Chair of the Faculty Advisory Committee |
| Dante Bartolomeo | Commissioner of the Connecticut Department of Labor |
| Charlene Russell-Tucker | Commissioner of the Connecticut Department of Education |
| Daniel O'Keefe | Commissioner of the Connecticut Department of Economic and Community Development |
| Dr. Manisha Juthani | Commissioner of the Connecticut Department of Public Health |
| Kelli-Marie Vallieres | Connecticut Chief Workforce Officer |

## Connecticut State Community College Presidents and CEOs

**As of June 30, 2024**

Asnuntuck Campus
170 Elm Street
Enfield, CT 06082
Dr. Michelle Coach, Campus CEO

Capital Campus
950 Main Street
Hartford, CT 06103
Dr. Duncan Harris, Campus CEO

Gateway Campus
20 Church Street
New Haven, CT 06510
Thomas G. Coley, Ph.D., Interim Campus CEO

Housatonic Campus
900 Lafayette Boulevard
Bridgeport, CT 06604
Patricia Benson, Ed.D., Campus CEO

Manchester Campus
Great Path
Manchester, CT 06045-1046
Dr. Nicole Esposito, Campus CEO

Middlesex Campus
100 Training Hill Road
Middletown, CT 06457
Kimberly Hogan, Campus CEO

Naugatuck Valley Campus
750 Chase Parkway
Waterbury, CT 06708
Dr. Lisa Dresdner, Campus CEO

Northwestern Connecticut Campus
Park Place East, Winsted, CT 06098 Dr.
Michael Rooke, President

Norwalk Campus 188 Richards
Avenue
Norwalk, CT 06854
Cheryl De Vonish, J.D., Campus CEO

Quinebaug Valley Campus
742 Upper Maple Street
Danielson, CT 06239
Manuel Gomez, PhD, Interim Campus CEO

Three Rivers Campus
574 New London Turnpike
Norwich, CT 06360
Dr. Mary Ellen Jukoski, President

Tunxis Campus
271 Scott Swamp Road Farmington,
CT 06032
Dr. Darryl Reome, Campus CEO

System Office, Connecticut State Colleges and Universities (CSCU)
61 Woodland Street, Hartford, CT 06105
Terrence Cheng, CSCU Chancellor

Connecticut State Community College (CT State)
185 Main Street, New Britain, CT 06051
Dr. John Maduko, CT State President

# FINANCIAL SECTION

Hold for Independent Auditor's Report

Hold for Independent Auditor's Report

Hold for Independent Auditor's Report

## INTRODUCTION

Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and results of activities for the fiscal year ended June 30, 2024, with selected comparative information from fiscal year 2023. 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.

### Reporting Entity

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 Community-Technical Colleges".

The Connecticut State Community College ("CT State") is a state-wide system of twelve regional campuses. During the fall 2023 semester, 34,991 students enrolled in credit courses and Full-Time Equivalent ("FTE") enrollment was 20,986. During calendar year 2024, approximately 10,600 students also took a variety of non-credit skill-building programs. CT State offer two-year associate degrees and transfer programs, short-term certificates, and individual coursework in both credit and non-credit programs, often through partnerships with business and industry. In total, CT State employed approximately 2,100 full time employees at June 30, 2024.

CT State is composed of twelve campuses and the system office that make up the primary reporting entity. The primary reporting entity is financially accountable for the organizations that make up its legal entity. CT State's twelve primary institutions include the following community campuses:

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

CT State serves an important role in the State's economy, providing convenient, accessible and flexible access to higher education for many of the State's residents, including "non-traditional" students age 22 or older. Open admission to all individuals who have a high school degree or equivalency, an emphasis on low student tuition and fees, and a policy goal of making financial aid available to meet the direct costs of attendance for students who demonstrate financial need, help to ensure access to all students regardless of income. In addition to the twelve primary locations, several of the CT State campuses have satellite locations in city centers affording even easier access to students who may not have transportation to attend the main campus. Satellite locations include downtown Danbury, Meriden, and Willimantic. The financial results of these satellite locations are included in the reports of the main campus, or Naugatuck Valley, Middlesex, and Quinebaug Valley, respectively.

### Financial Statements

The CT State financial report includes the following financial statements and related footnotes: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement 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"). The MD&A, financial statements, notes, and other supplementary information are the responsibility of management.

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 CT State as a whole. As required by GASB Statements No. 34 and 35, fiscal year 2024 financial statements and footnotes are presented for the CT State primary institution, as well as for certain other organizations that have a significant related party relationship with CT State (the "component units").

The component units are the twelve college foundations (the "Foundations"). Foundations are legally independent, tax-exempt non-profit organizations separate from College control, founded to foster and promote the growth, progress and general welfare of the Colleges and to solicit, receive and administer donations for such purposes. The Foundations manage most of the Colleges' endowments. However, the assets of these component units are not available to CT State for use at its discretion. The MD&A discusses the CT State financial statements only and not those of its component units.

**Key Reporting Changes**

In June 2023, the Connecticut General Assembly passed a state budget for the 2024 and 2025 biennium that changed the way fringe is paid for institutions of higher education. Effective July 1, 2023, the State funds the employee retirement benefits for CT State's employees so there is no longer a charge to CT State through a fringe benefit rate assessment. CT State funds all non-retirement employee fringe costs. A reduction in appropriations to CT State is also a result of the State directly covering retirement-related costs for CT State employees.

**Financial Summary**

The Connecticut Community College had total assets of $1.0 billion, liabilities of $1.4 billion, and a total net position balance of ($747.5) million at June 30, 2024. Of the total net position balance, ($1.4) billion is classified as unrestricted net position, a $69.1 million increase from 2023. The increase in total net position was attributed to a combination of factors, but mainly due to lower pension and other-post employment benefit ("OPEB") expenses. Other contributing factors include additional federal COVID-19 relief funding passed through to CT State from the State which helped offset the cumulative financial effects incurred from the pandemic and board-approved tuition rate increases, offset by an increase in operating expenses. These factors and other changes are further detailed in the following sections of the MD&A.

The large negative balance in unrestricted net position is a result of the adoption of GASB Statement No. 68 *Pensions* in fiscal year 2015 and GASB Statement No. 75 *Postemployment Benefits Other Than Pensions* in fiscal year 2018. Adoption of GASB 68 required CT State to recognize a net liability for pension plans, which was previously disclosed only at the State level. The adoption of GASB 75 required CT State to recognize the net liability for other post-employment benefits (OPEB).

**STATEMENT OF NET POSITION**

The Statement of Net Position presents the overall financial position and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of CT State as of the end of the fiscal year. The Statement of Net Position is a point-in-time financial statement and is used as a measure of the financial condition of CT State. This statement presents a snapshot concerning assets classified as current (available for use within one year) and noncurrent (available beyond one year), liabilities categorized as current (due within one year) and noncurrent (due beyond one year), and net position. Assets represent what is owned by or what is owed to CT State and are recorded at their current value except for capital assets, which are recorded at historical cost, net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by CT State. A deferred outflow of resources represents the consumption of net assets by CT State that is applicable to a future reporting period, whereas a deferred inflow of resources is an acquisition of net assets by CT State that is applicable to a future reporting period. CT State's net position is the residual value in assets and deferred outflows after liabilities and deferred inflows are deducted. The change in Net Position is one indicator of whether the overall financial condition of CT State has improved or worsened during the year.

The following table shows a Condensed Schedule of Net Position at June 30 ($ in thousands):

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | $ 370,988 | $ 342,236 | 8.4% |
| Non-current assets | 653,976 | 667,358 | -2.0% |
| Total Assets | 1,024,964 | 1,009,594 | 1.5% |
| **DEFERRED OUTFLOWS OF RESOURCES** | 304,033 | 529,002 | -42.5% |
| **LIABILITIES** | | | |
| Current liabilities | 86,464 | 107,335 | -19.4% |
| Non-current liabilities | 1,268,466 | 1,463,185 | -13.3% |
| Total Liabilities | 1,354,930 | 1,570,520 | -13.7% |
| **DEFERRED INFLOWS OF RESOURCES** | 721,545 | 748,751 | -3.6% |
| **NET POSITION** | | | |
| Invested in capital assets | 623,478 | 637,389 | -2.2% |
| Restricted nonexpendable | 20 | 20 | 0.0% |
| Restricted expendable | 26,452 | 48,446 | -45.4% |
| Unrestricted | (1,397,428) | (1,466,530) | 4.7% |
| Total Net Position | $ (747,478) | $ (780,675) | 4.3% |

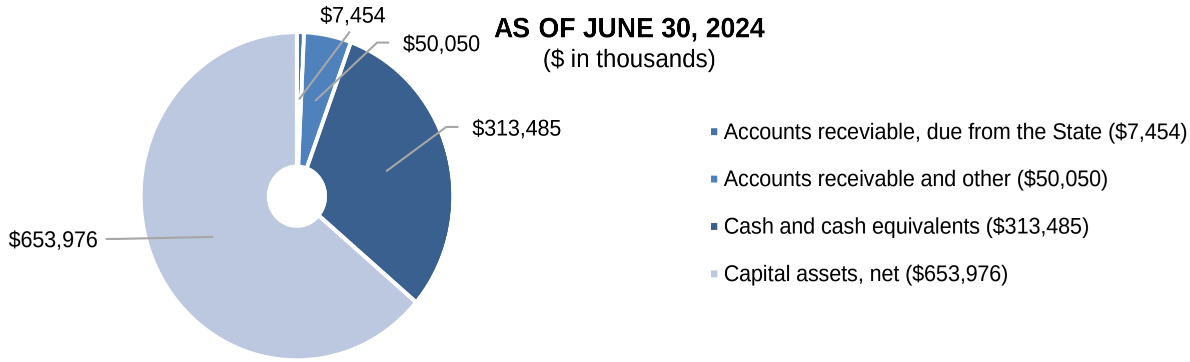
**Assets**
Total assets increased by $15.4 million in fiscal year 2024 due to the following:

*Current assets* consist of cash and cash equivalents and accounts receivable. The $28.8 million increase in current assets from the previous year is attributable to a $62.3 million increase in cash and cash equivalents. Accounts receivable due from State decreased by approximately $19.1 million, which is due to a change in the State's fringe methodology, whereas the State pays for retirement-related fringe benefit costs for all CT State employees. There was also a $14.9 million decrease in accounts receivable other, net that is mostly attributable to a decrease in restricted grants receivable.

The current ratio identifies the amount of resources available to meet current obligations. This ratio of unrestricted current assets is 4.3:1 in 2024, which is an increase from 3.2:1 in 2023. The current ratio reflects a financial position sufficient to provide short-term liquidity.

*Non-current assets* which consists of Capital Assets, net, decreased by $13.4 million. At June 30, 2024, capital assets in service totaled $1.2 billion, offset by $557.9 million in accumulated depreciation and amortization. There were $11.3 million in additions to Construction in Progress, representing various building improvements across the campuses. Completed projects totaled $7.4 million and include Naugatuck Valley Garage Renovation, Middlesex Advanced Manufacturing Center, Tunxis Roof Replacement, Norwalk Chiller Replacement, and various other building improvements.

The following graph shows total assets by major category:



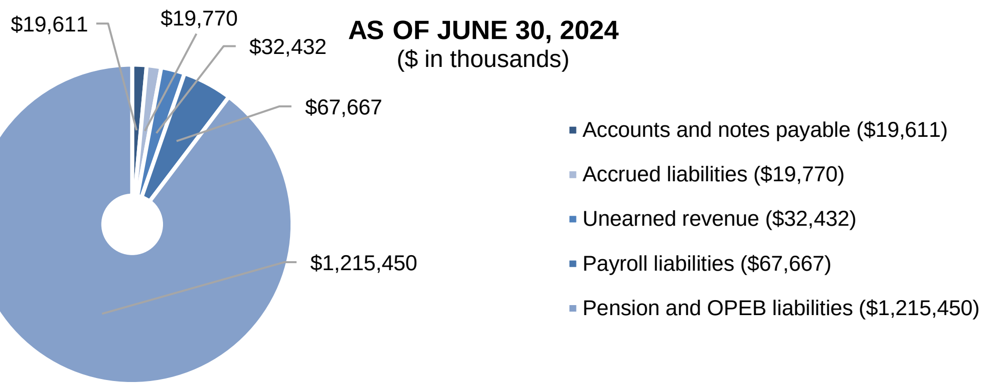

**Liabilities**

Total liabilities decreased by $215.6 million in fiscal year 2024 due to the following:

*Current liabilities* as of June 30, 2024 consist primarily of accrued payroll and related benefits of $32.9 million which decreased by $4.7 million from June 30, 2023 due to timing of payroll. Deferred revenue decreased by $14.5 million, mostly attributed to a decrease in ARPA funding due from 2023 to 2024. Additional significant current liabilities include vendor accounts payable of $6.6 million which is an decrease of $6.7 million, $4.6 million for the estimated value of accrued compensated absences that will be paid within the coming year to employees who terminate or retire, and $2.2 million in agency and loan fund liabilities. Notes payable consists of an agreement entered into during fiscal year 2023 to purchase IT infrastructure.

*Non-current liabilities* consist of $486.8 million in pension liability, $728.6 million in OPEB liability, $30.1 million of long-term accrued compensated absences ("ACA") to be paid out to terminating employees over time in the future beyond one year, $12.1 million in subscription and lease liabilities, and $10.8 million in the non-current portion of the note payable mentioned above. *Pension liabilities* represent CT State'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 CT State's proportionate share of the State's OPEB liability as a whole. The pension liability decreased by $164.1 million which is a result of the CT State proportionate share decreasing from 2.88% in fiscal year 2023 to 2.25% in FY24 offset by an increase from 0.08% to 0.11% for SERS and TRS, respectively. This was primarily driven by transfers from the State's reserve fund as surplus contributions to the plan which reduced the CT State liability allocation. The OPEB liability decreased $21.2 million which was primarily a result of an update in the discount rate from 3.90% to 6.90%.

The following graph shows total liabilities by major category:



**Deferred Outflows and Deferred Inflows of Resources**
*Deferred outflows and inflows of resources* are related to future periods. In the colleges financial statements this is primarily related to the impact of recognizing net pension and net OPEB liabilities. They reflect differences between projected and actual assumptions and earnings, changes in actuarial assumptions, changes in proportion and differences between contributions and the proportionate share of contributions and employer contributions subsequent to the measurement date. Also included in deferred inflows are unrecognized revenues from other than short term leases.

**Net Position**
The *total net position* includes $623.5 million *Net Investment in Capital Assets* which represents CT State's capital assets net of accumulated depreciation and amortization.

*Restricted-Nonexpendable* net position is minimal as the colleges do not generally carry any permanent endowment as a direct activity which is generally held by the supporting foundations.

*Restricted-Expendable* net position represents primarily bond fund appropriation balances at June 30, 2024, funds held in restricted accounts pending distribution, as well as private gifts and donations, mostly for scholarships, whose revenues have been recognized but not yet expended.

*Unrestricted net position* ("UNP") has shifted to a negative balance with the recognition of the pension and OPEB liabilities. Excluding the activity related to the actuarially determined net pension and OPEB liabilities, UNP increased by $69.1 million to ($1,397.4) million during fiscal year 2024.

The table below illustrates the effects of GASB 68 and GASB 75 on CT State's net position at June 30 ($ in thousands):

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **NET POSITION** | | | |
| Net investment in capital assets | $ 623,478 | $ 637,389 | -2.2% |
| Restricted nonexpendable | 20 | 20 | 0.0% |
| Restricted expendable | 26,452 | 48,446 | -45.4% |
| Unrestricted | (1,397,428) | (1,466,530) | 4.7% |
| Total Net Position | $ (747,478) | $ (780,675) | 4.3% |
| Pension and OPEB Impact (GASB 68 and 75) | 1,632,348 | 1,620,480 | 0.7% |
| Total Net Position, Excluding Pension and OPEB | $ 884,870 | $ 839,805 | 5.4% |
| Unrestricted Net Position, Excluding Pension and OPEB | $ 234,920 | $ 153,950 | |

Unrestricted net position excluding pension and OPEB of $234.9 million includes funds that are designated to be set aside as reserves according to the CT State fund balance policy.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses and Changes in Net Position presents either an increase or decrease in net position based on the revenues earned, the expenses incurred, and any other gains and losses recognized by CT State. Revenues and expenses are classified as operating, nonoperating, or other changes in net position according to definitions prescribed by GASB.

Generally, operating revenues are earned when providing goods and services to the various customers of CT State. Operating expenses are incurred in the normal operations of CT State and represent those expenses paid to acquire or produce the goods and services provided in return for operating revenues. Operating expenses also include a provision for estimated depreciation and amortization of capital assets. The difference between operating revenues and operating expenses is the operating income or loss.

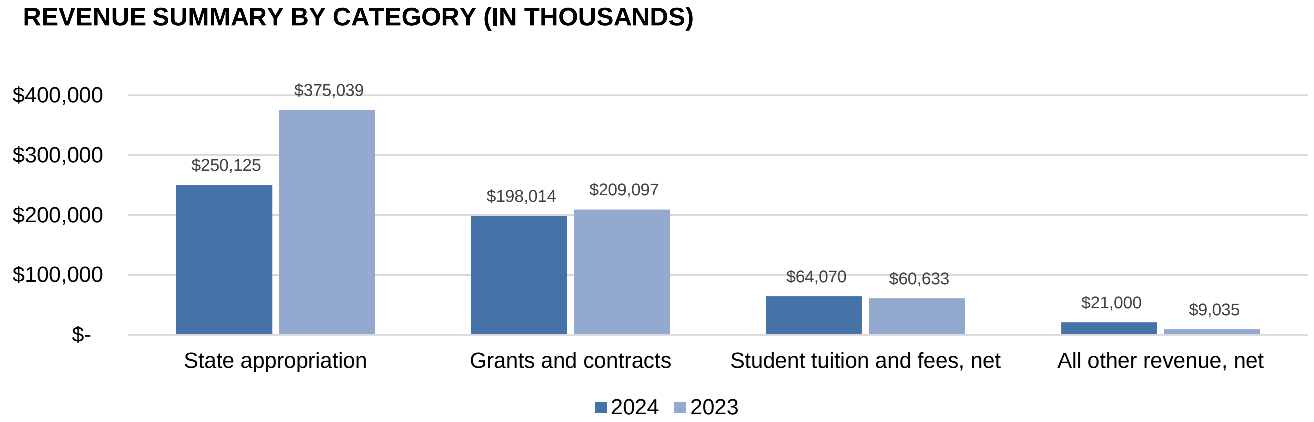
As a state-funded institution, CT State does not receive sufficient tuition and fee revenue to support the operations of CT State. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include appropriations from the State for general operations and federal and state financial aid.

The following table shows a Condensed Schedule of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30 ($ in thousands):

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Student tuition and fees, net | $ 64,070 | $ 60,633 | 5.7% |
| Grants and contracts | 52,783 | 52,412 | 0.7% |
| Other revenues | 9,316 | 4,531 | 105.6% |
| Total Operating Revenues | 126,169 | 117,576 | 7.3% |
| **OPERATING EXPENSES** | | | |
| Expenses before depreciation and amortization | 462,379 | 440,132 | 5.1% |
| Depreciation and amortization | 38,106 | 35,813 | 6.4% |
| Total Operating Expenses | 500,485 | 475,945 | 5.2% |
| Operating Loss | (374,316) | (358,369) | 4.4% |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| State appropriations | 250,125 | 375,039 | -33.3% |
| Pell grant revenue | 67,562 | 60,149 | 12.3% |
| Federal non-operating grant revenue | 77,669 | 96,536 | -19.5% |
| Other non-operating revenue (expense), net | 11,684 | 4,504 | -159.4% |
| Total Non-operating Revenues | 407,040 | 536,228 | -24.1% |
| **OTHER CHANGES IN NET POSITION** | | | |
| Loss on disposal of asset and other additions (deductions) | 473 | (2,609) | -118.1% |
| Total Other Changes in Net Position | 473 | (2,609) | -118.1% |
| **NET POSITION** | | | |
| Change in Net Position | 33,197 | 175,250 | -81.1% |
| Net Position, Beginning of Year | (780,675) | (955,925) | 18.3% |
| Net Position, End of Year | $ (747,478) | $ (780,675) | 4.3% |

## Revenues

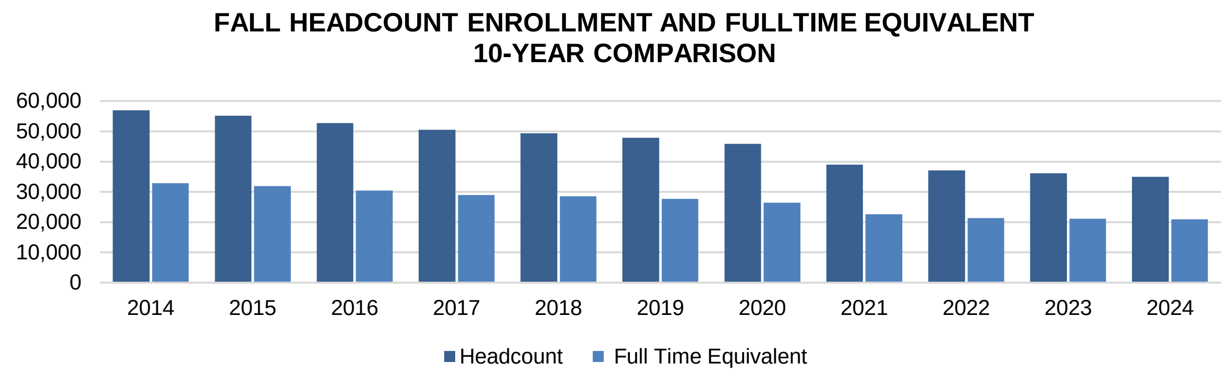
The following graph shows CT State's total operating and nonoperating revenues by category, excluding other changes in net position:




## Operating Revenues

Total *operating revenues* increased by $8.6 million in fiscal year 2024. *Student tuition and fees* 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 $64.1 million. This differs from budgetary practices, which recognize revenues on a gross basis without offset for scholarship allowances. These revenues reflect an increase in tuition fees of 5% offset by a decrease in full-time equivalents of 1%. Scholarship discounts and allowances increased by $2.2 million due to continued State support for the Mary Ann Handley Award scholarships (formerly named Pledge to Advance Connecticut ("PACT") scholarships.

The graph below presents headcount and full-time equivalent enrollment over the last 10 years:



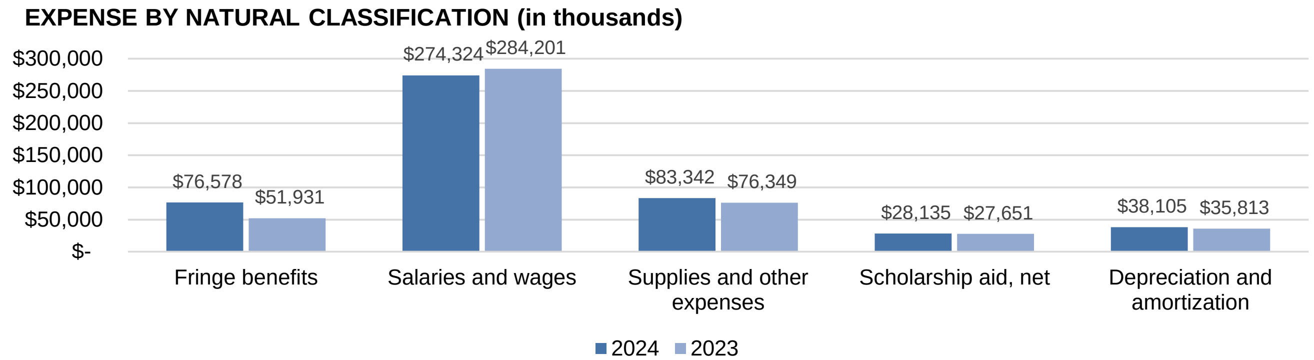

## Nonoperating Revenue and Expenses

*Nonoperating revenue and expenses* includes state appropriations, certain federal grants including the American Rescue Plan Act of 2021 ("ARPA") grants, private gifts and donations, and investment income earned on cash balances invested by the State treasurer's office. The State appropriation for salaries, fringe, and other were $219.6 million which is a decrease of $137.8 million from 2023. The decrease in appropriations is mainly due to the change in methodology how the State funds retirement contributions for employees; beginning on July 1, 2023, the State now pays contributions directly instead of through general fund allocations to CT State . Bond fund appropriation revenues increased to $25.7 million in 2024 from $17.7 million in 2023. Total directly awarded federal grant expense during fiscal year 2024 was $901.5 thousand, down from $27.1 million in 2023 due to the end of the Higher

Education Emergency Relief Fund ("HEERF") in 2023, and indirectly awarded federal grants was $76.6 million, up from $69.5 million in 2023. Pell grant revenue increased by $7.4 million due to the increase in overall enrollment.

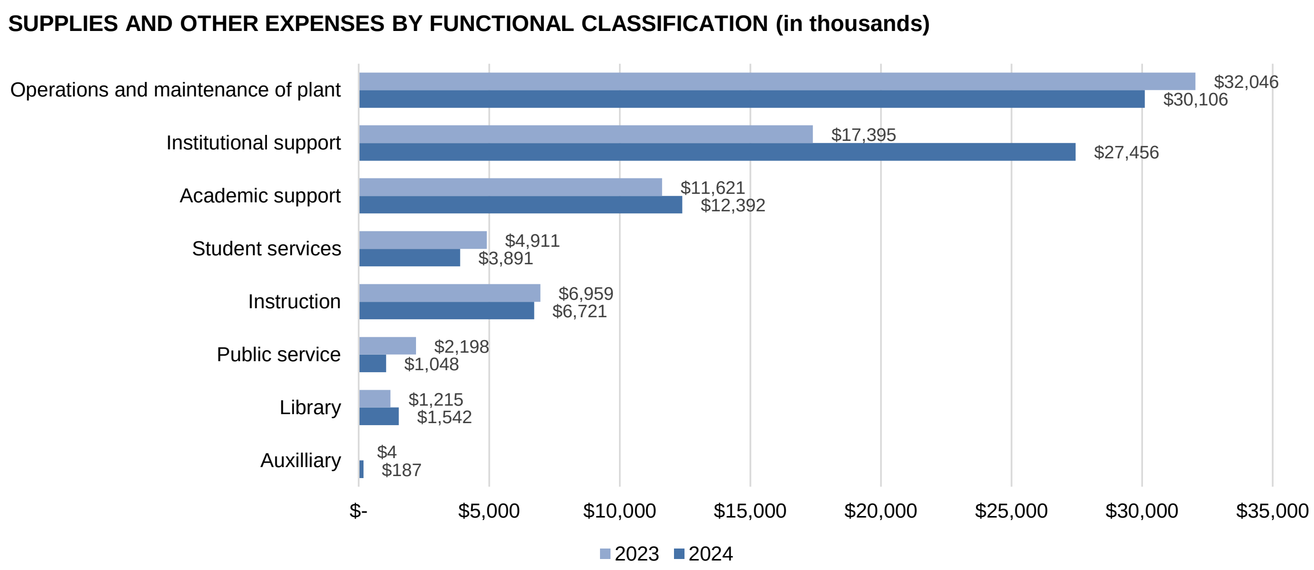
## Operating Expenses

The following graph shows CT State's operating expenses by natural classification:




*Total operating expenses* for fiscal year 2024 were $500.5 million which reflects an increase of $25.5 million from fiscal 2023. In addition, operating expenses include $28.1 million in net scholarship aid expense provided to students, which is an increase of $484 thousand from 2023. There was also $30.3 million in depreciation expense, $7.8 million in amortization expense, and $83.0 million for all other service and supply costs in 2024. Supplies and services include 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 all other non-personnel costs of operating the colleges. Other operating supplies and expenses increased by $6.7 million.

CT State recorded an operating loss of $374.3 million during the year ended June 30, 2024. This results primarily from the fact that the State general fund appropriation and related fringe benefits, as well as State bond fund appropriations are classified as *non-operating revenues*, although the expenditure of these resources on personnel, non-capital equipment and depreciation are considered to be operating expenses.




## Other Changes in Net Position

*Other changes in net position* include the loss on disposal of assets and a reduction of available projects funds held by, and administered by, DAS on behalf of CT State.

## STATEMENT OF CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. Cash flows from operating activities is expected to be different from the operating loss amount on the Statement of Revenues, Expenses, and Changes in Net Position. The difference results from noncash items such as depreciation and amortization expense, and in the use of the accrual basis of accounting in preparing the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows shows cash inflows and outflows without regard to accruals.

The following table shows a Condensed Statement of Cash Flows for the fiscal years ended June 30 ($ in thousands):

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **NET CASH PROVIDED BY (USED IN)** | | | |
| Operating activities | $ (334,618) | $ (484,662) | -31.0% |
| Noncapital financing activities | 388,833 | 555,160 | 30.0% |
| Capital and related financing activities | (4,468) | (2,599) | 71.9% |
| Investing activities | 12,532 | 6,059 | 106.8% |
| Net change in cash and cash equivalents | 62,279 | 73,958 | -15.8% |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents, beginning of year | 251,206 | 177,248 | 41.7% |
| Cash and cash equivalents, end of year | $ 313,485 | $ 251,206 | 24.8% |

Major sources of *operating activity* cash inflows include receipts of student tuition and fees of $69.1 million and receipts from government grants and contracts of $57.6 million. Cash is also received from private grants and contracts, miscellaneous auxiliary and educational sales, and other activities. The largest operating cash outflows include salaries paid to employees of $275.9 million and fringe benefits paid on behalf of employees of $65.4 million.

The largest inflow of cash related to *non-capital financing* is State appropriations, which were $243.4 million, including general fund appropriations to cover salaries and certain fringe benefits, additional one-time funding, the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. Other non-capital financing cash inflows include Pell grants and other federal grants of $145.2 million.

*Capital financing* cash flows result primarily from the receipt or reallocation of capital appropriations and from cash outlays made to purchase capital assets either by CT State directly, or by DAS on CT State's behalf. During fiscal year 2024, capital financing net cash inflows of $26.2 million reflected the receipt of bond were offset by $24.9 million used for the purchase of capital assets, and $5.8 million used for principal and interest payments on obligations.

Cash provided by *investing activities* represents interest income earned on operating fund cash balances invested by the State treasurer on behalf of CT State and distributed quarterly. Cash inflows from the Short-Term Investment Fund ("STIF") increased by $6.4 million due to the favorable increase in interest rates.

## ECONOMIC OUTLOOK

In June 2024, the Board of Regents approved an annual operating budget for 2025 of $468.2 million, supported by revenues of $465.9 million, resulting in a shortfall of $2.2 million. On November 15, 2024, the Board of Regents reviewed and approved CT State's deficit mitigation plan to address the projected shortfall before additional one-time funding was allocated from the State. Through a combination of 1) technical re-estimates, 2) deficit mitigation, and 3) use of reserves, CT State reduced the 2025 deficit by $50 million from $91.3 million leaving a remaining projected deficit of $41.3 million in the current year. The remaining deficit in fiscal year 2025 was resolved with additional revenue from the State for RSA adjustment of $7.8 million added to the block grant, one-time funding $74.8 million from the State's ARPA allocation, and $10.5 million in temporary operating support which will be used for operations. Additionally, CT State experienced slight increases in tuition and fee revenue over the previous year due to an enrollment rebound combined with a 5% increase in tuition in fiscal year 2025.

To address fiscal challenges, CT State embarked on strategic financial planning, exploring alternative revenue sources, implementing cost-saving measures, and adapting programs to meet changing student and workforce needs. Despite fiscal challenges, CT State presents a budget that continues to invest in areas of strategic priority. Specifically, the fiscal year 2025 budget preserves instructional and student support services while investing in mental health, public safety, human resources and diversity, equity and inclusion including EEO and disability services. Personnel and related costs have always been the largest area of expenditure and include SEBAC raises effective July 1, 2024. Under the newly adopted state budget, beginning in fiscal year 2024, the state continues to pay the retirement-related fringe benefit costs for all employees of the constituent units of the state higher education system, rather than only for General Fund supported employees. CT State's operating revenue covers the employee health and life insurance, unemployment compensation, and employers' social security tax for all employees. Accordingly, the revenue and expenditure presentation for fiscal year 2025 budget will mirror the prior fiscal year, 2024.

**Additional Information**

This financial report is designed to provide a general overview of CT State'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 or the CT State Chief Financial Officer.

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ | 313,484,875 |
| Accounts receivable, due from the State | | 7,454,071 |
| Accounts receivable other, net | | 49,483,845 |
| Prepaid expenses and other current assets | | 565,797 |
| **Total Current Assets** | | 370,988,588 |
| **Non-current Assets** | | |
| Capital assets, net | | 653,975,843 |
| **Total Non-current Assets** | | 653,975,843 |
| **Total Assets** | $ | 1,024,964,431 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred pension | $ | 121,173,049 |
| Deferred other post employment benefits | | 182,860,453 |
| **Total Deferred Outflows of Resources** | $ | 304,033,502 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable | $ | 6,642,693 |
| Subscription liabilities | | 3,742,673 |
| Leases payable | | 1,825,601 |
| Accrued expenses - salary and fringe benefits | | 32,896,565 |
| Accrued compensated absences | | 4,620,991 |
| Unearned tuition and grant revenue | | 32,431,661 |
| Note payable | | 2,161,448 |
| Other liabilities | | 2,143,042 |
| **Total Current Liabilities** | | 86,464,674 |
| **Non-current Liabilities** | | |
| Subscription liabilities | | 5,655,977 |
| Leases payable | | 6,402,876 |
| Note payable | | 10,807,243 |
| Accrued compensated absences | | 30,149,448 |
| Pension liability, net | | 486,823,236 |
| Other post employment benefits liability net | | 728,626,929 |
| **Total Non-current Liabilities** | | 1,268,465,709 |
| **Total Liabilities** | $ | 1,354,930,383 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred pension | $ | 281,897,910 |
| Deferred other post employment benefits | | 439,033,209 |
| Deferred lease inflows | | 614,378 |
| **Total Deferred Inflows of Resources** | $ | 721,545,497 |
| **NET POSITION** | | |
| Net investment in capital assets | $ | 623,478,154 |
| Restricted | | |
| Nonexpendable | | 20,000 |
| Expendable | | 26,452,426 |
| Unrestricted | | (1,397,428,527) |
| **Total Net Position** | $ | (747,477,947) |

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 4,624,597 |
| Contributions receivable, net | | 449,416 |
| Prepaid expenses and other assets | | 63,624 |
| Investments | | 76,676,618 |
| **Total Assets** | $ | 81,814,255 |
| | | |
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | $ | 751,110 |
| Grants payable | | 1,972,719 |
| Annuities payable | | 31,409 |
| Scholarships payable | | 14,725 |
| Other liabilities | | 15,000 |
| **Total Liabilities** | | 2,784,963 |
| | | |
| **NET ASSETS** | | |
| Without donor restrictions | | 17,650,832 |
| With donor restrictions | | 61,378,460 |
| **Total Net Assets** | | 79,029,292 |
| | | |
| **Total Liabilities and Net Assets** | $ | 81,814,255 |

NOT UPDATED

**Connecticut State Community College**
Statement of Revenues, Expenses, and Changes in Net Position – Primary Institution
For the Year Ended June 30, 2024

| | | |
|---|---|---|
| **OPERATING REVENUES** | | |
| Student tuition and fees | $ | 152,063,712 |
| Less: Scholarship discounts and allowances | | (87,993,534) |
| Net student tuition and fees | | 64,070,178 |
| Federal grants and contracts | | 24,778,564 |
| State and local grants and contracts | | 25,160,229 |
| Nongovernment grants and contracts | | 2,844,450 |
| Auxiliary revenues | | 389,039 |
| Other operating revenues | | 8,926,868 |
| **Total Operating Revenues** | | 126,169,328 |
| **OPERATING EXPENSES** | | |
| Salaries and wages | | 274,323,991 |
| Fringe benefits | | 76,578,387 |
| Professional services and fees | | 16,720,215 |
| Educational services and support | | 11,780,668 |
| Travel expenses | | 2,060,456 |
| Operation of facilities | | 29,700,803 |
| Other operating supplies and expenses | | 23,080,068 |
| Scholarship aid, net | | 28,134,845 |
| Depreciation expense | | 30,347,666 |
| Amortization expense | | 7,757,711 |
| **Total Operating Expenses** | | 500,484,810 |
| **Operating Loss** | | (374,315,482) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| State appropriation | | 250,124,992 |
| Pell grant revenue | | 67,562,257 |
| Federal non-operating grant revenue | | 901,522 |
| Federal non-operating pass-through grant revenue | | 76,766,498 |
| Other non-operating revenue (expense), net | | 12,629,537 |
| Interest Expense | | (946,152) |
| **Net Nonoperating Revenues** | | 407,038,655 |
| **Increase Before Other Changes in Net Position** | | 32,723,173 |
| **OTHER CHANGES IN NET POSITION** | | |
| Capital and other deductions | | 614,099 |
| Loss on disposal of assets | | (140,601) |
| **Total Other Changes in Net Position** | | 473,498 |
| **Increase in Net Position** | | 33,196,671 |
| **NET POSITION** | | |
| **Net Position, Beginning of Year** | | (780,674,618) |
| **Net Position, End of Year** | $ | (747,477,947) |

*See accompanying notes to basic financial statements*

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|---|---|---|
| **REVENUES** | | | |
| Gifts and grants | $ 2,613,529 | $ 5,514,588 | $ 8,128,117 |
| Events and activities | 666,607 | 27,712 | 694,319 |
| Investment return, net | 1,737,881 | 3,998,210 | 5,736,091 |
| Net assets released from restrictions | 6,356,695 | (6,356,695) | - |
| **Total Revenues** | 11,374,712 | 3,183,815 | 14,558,527 |
| **EXPENSES** | | | |
| Program services | $ 5,675,179 | $ - | $ 5,675,179 |
| Scholarships, awards, and financial aid | 1,997,628 | - | 1,997,628 |
| Fundraising events | 786,529 | - | 786,529 |
| Management and general | 1,301,884 | - | 1,301,884 |
| **Total Expenses** | 9,761,220 | - | 9,761,220 |
| **Change in Net Assets** | 1,613,492 | 3,183,815 | 4,797,307 |
| **NET ASSETS** | | | |
| **Net Assets, Beginning of Year** | $ 16,037,340 | $ 58,194,645 | $ 74,231,985 |
| **Net Assets, End of Year** | $ 17,650,832 | $ 61,378,460 | $ 79,029,292 |

NOT UPDATED

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Student tuition and fees | $ 69,099,612 |
| Grants and contracts | 57,644,320 |
| Auxiliary and Other Operating Revenues | 9,560,784 |
| Payments to employees | (275,896,806) |
| Payments for fringe benefits | (65,389,347) |
| Payments to students | (29,500,877) |
| Payments to vendors | (100,136,161) |
| **Net Cash Used in Operating Activities** | (334,618,474) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest income | 12,532,020 |
| **Net Cash Provided by Investing Activities** | 12,532,020 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| State appropriations | 26,198,574 |
| Purchase of capital assets | (24,864,014) |
| Principal and interest paid on obligations | (5,802,859) |
| **Net Cash (Used In) Provided by Capital and Related Financing Activities** | (4,468,299) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| State appropriations | 243,449,844 |
| Nonoperating federal grants | 145,230,278 |
| Other non-operating revenue | 153,229 |
| **Net Cash Provided by Noncapital Financing Activities** | 388,833,351 |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | 62,278,597 |
| **BEGINNING CASH AND CASH EQUIVALENTS** | $ 251,206,278 |
| **ENDING CASH AND CASH EQUIVALENTS** | $ 313,484,875 |

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES**

| | |
|---|---|
| **Operating Loss** | $ (374,315,483) |
| Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities | |
| Depreciation and Amoritzation expense | 38,105,377 |
| Loss on disposal of assets | 140,601 |
| Changes in Operating Assets, Liabilities and Deferred Outflows and Inflows of Resources: | |
| Accounts Receivable, net | 14,873,914 |
| Prepaid expenses and other assets net | (453,000) |
| Accounts payable and other liabilities | (16,793,951) |
| Unearned tuition, fees and grant revenue | (6,354,527) |
| Accrued compensation and compensated absences | (2,251,741) |
| Pension and other post-employment benefits liability, net | (185,332,571) |
| Deferred outflows of resources | 224,968,663 |
| Deferred inflows of resources | (27,205,756) |
| **Net Cash Used in Operating Activities** | $ (334,618,474) |

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*See accompanying notes to basic financial statements*

*See accompanying notes to basic financial statements*

## 1. Summary of Significant Accounting Policies

### Reporting Entity

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 ("CSU"), the Connecticut Community College System ("CCC" or "the Colleges") and Charter Oak State College ("COSC") under the newly formed Board of Regents for Higher Education. Effective July 1, 2023, the twelve community colleges were merged under the name Connecticut State Community College ("CT State") and were granted accreditation by the New England Commission of Higher Education ("NECHE"). CT State's first semester of operation as a merged college was Fall 2023.

CSCU consists of six separate institutions including four state universities, CT State Community College (comprised of twelve campuses), 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 financial statements presented herein represent only the financial activities of CT State. Separate financial statements are issued for CSU and COSC.

### Basis of Presentation

The financial statements for CT State 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. The organization in the financial statements includes CT State, and its aggregate discretely presented component units.

CT State is considered a special-purpose government engaged primarily in business-type activities, defined by GASB as those activities that are financed in whole or in part by fees charged to external parties for goods or services.

The CT State financial statements include three statements: the statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows.

- The statement of net position presents information on all of CT State's assets, liabilities, deferred outflows and inflows, and net position.

- The statement of revenues, expenses and changes in net position presents information showing how the incumbent'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 are 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).

**Component Units**
There are several legally separate, tax-exempt, affiliated organizations (the "Foundations") which must be reported as component units of CT State 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 Colleges in support of their programs. The majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the College by the donors. Since these restricted resources held by the Foundations can only be used by, or for the benefit of, CT State, the Foundations are considered component units of the CT State primary institution.

The Foundations are private nonprofit organizations that report under Financial Accounting Standards Board ("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. No modifications have been made to the Foundation's financial information in the CT State financial reporting entity for these differences. The disclosures included in the financial statements address only the CT State and not the related Foundations. Three of the twelve Foundations report on a December 31 fiscal year end; they are….. These Foundation's assets represent 7.8% of total assets, and 8.0% of total net assets for the discretely presented component units at June 30, 2024. Each of the foundations issues a separate audited financial statement which may be obtained by contacting the system office at 61 Woodland Street, Hartford, CT 06105.

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

- **Investment in Capital Assets, Net**
  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation, and right-of-use assets, net of accumulated amortization. Similar net assets are included in net assets without donor restrictions in the statements of the foundation component units.

- **Restricted Nonexpendable**
  Net position subject to externally imposed stipulations that they be maintained in perpetuity by CT State. Similar net assets are referred to as net assets with donor restrictions in the statements of the foundation component units.

- **Restricted Expendable**
  Net position whose use by CT State is subject to externally imposed stipulations that can be fulfilled by actions of CT State pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as net assets with donor restrictions in the statements of the foundation 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 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 and research programs and initiatives, and capital programs.

**Classification of Assets and Liabilities**

CT State presents short-term and long-term assets and liabilities in the statement 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 statement of net position include balances with a maturity of one year or less from June 30. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30 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, restricted cash held in an escrow account, and petty cash. The STIF, stated at market value, is held on behalf of CT State by the State Treasurer and has original maturities of three months or less (see Note 2).

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.

**Investment in Capital Assets**

Capital assets of the college 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. 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 and Building Improvements | 20 years |
| Library Materials | 10 years |
| Non-Collectible Artwork | 10 years |
| Other Equipment | 10 years |
| Vehicles | 10 years |
| Software | 5 years |
| Technology | 5 years |

CT State does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Major construction projects for new physical plant and original equipment financed by the State capital outlay appropriations are managed and controlled by the Division of Construction Services of the State of Connecticut ("DCS").

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

**Right of Use Asset**
Right-of-Use ("ROU") building and equipment assets are recognized at the lease commencement date and represent CT State's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs.

ROU subscription assets are recognized at the agreement's commencement date and represent CT State's right to use an underlying asset for the agreement term. ROU assets are measured at the initial value of the liability plus any payments made at or before commencement and initial direct costs. Amortization for ROU intangible assets is computed using the straight-line method over the shorter of the contract term or estimated useful lives of the assets; but if the underlying lease contains a purchase option determined to be reasonably certain of being exercised, the ROU intangible asset is amortized over the estimated useful life of the asset. ROU subscription assets are reported within Investments in capital assets in the statement of net position.

**Lease Receivable**
Lease receivables are recorded by CT State as the present value of lease payments expected to be received under all leases other than short term. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected.

**Deferred Inflows**
Deferred inflows consist of certain changes in the net pension and OPEB liabilities and unrecognized revenues from other than short term leases.

**Leases Payable**
Leases payable represent CT State's obligation to make lease payments arising from leases other than those deemed to be short term. Leases payable are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments is discounted based on a borrowing rate determined by CT State. Short term leases, those with a maximum period of 12 months, are expensed as incurred.

**Subscription Liability**
Subscription liabilities represent CT State's obligation to make payments to the vendor, measured at the present value of subscription payments over the remaining term. Subscription liabilities are recognized at the Subscription-Based Information Technology Arrangements ("SBITA") commencement date based upon the present value of future subscription payments over the remaining SBITA term. Short term subscription liabilities, those with a maximum period of 12 months (or less), are expensed as incurred.

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

**Pension & Other Post Employment Obligations**
CT State 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 CT State 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, Fees and Grant Revenue**
Unearned revenue consists primarily of tuition and fees collected as of year-end for the upcoming summer or fall semesters.

The State allotted $63.3 million to CT State in fiscal year 2024 which was part of the State's American Rescue Plan Act of 2021 ("ARPA") allocation to offset operating losses incurred because of COVID-19. The total was recorded as federal grant revenue under nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2024.

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

**Operating Activities**
Operating activities as reported on the statement 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 CT State expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, certain emergency federal grants related to the coronavirus pandemic, Pell grants, gifts and investment income.

**Income Taxes**
CT State is a component unit of the State 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. CT State 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 GAAP requires 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 in Fiscal Year 2024**

**GASB Pronouncements Effective in Future Years**
In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management is currently assessing the impact of this statement.

**Subsequent Events**
In accordance with generally accepted accounting principles, CT State has evaluated subsequent events for the period after June 30, 2024, through DATE OF REPORT, the date the financial statements were issued.

**2. Cash and Cash Equivalents**

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

Restricted cash is also held in an escrow account and is used to support an information technology infrastructure project.

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 that 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 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, 2024 was 5.43%.

Cash and cash equivalents at June 30 are as follows:

| | | 2024 |
|---|---|---|
| Cash | $ | 274,380,811 |
| Cash equivalents | | 39,104,064 |
| Total Cash and Cash Equivalents | $ | 313,484,875 |

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. CT State is only invested in the State Treasurer's

STIF, which is a combined investment pool of high quality, short-term money market instruments. The risk is low for 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. All of CT State's cash, cash equivalents and investments were invested in the STIF or consist of State general fund and capital bond fund appropriations allocated to CT State as of June 30, 2024.

*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.

## 3. Accounts Receivable Other, Net

Accounts receivable other, net consists of the following at June 30:

| | **2024** |
|---|---|
| Student tuition and fees receivable | 18,459,485 |
| Alowance for doubtful accounts | (10,237,220) |
| Student tuition and fee receivables, net | 8,222,266 |
| Other receivables | |
| Third-party contracts | 801,184 |
| Federal, state, local, and private grants | 38,969,027 |
| Other receivables | 1,749,798 |
| Allowance for doubtful accounts for other receivables | (258,431) |
| Other receivables, net | 41,261,579 |
| Total Accounts Receivable, Net | 49,483,845 |

## 4. Capital Assets

Capital assets consist of the following at June 30:

| | Balance at June 30, 2023 | Additions | Disposals and Adjustments | Transfers | Balance at June 30, 2024 |
|---|---|---|---|---|---|
| Capital assets not being depreciated | | | | | |
| Land | $ 12,613,613 | $ - | $ - | $ - | $ 12,613,613 |
| Construction in progress | 14,672,524 | 11,284,698 | - | (7,352,317) | 18,604,905 |
| Total capital assets not being depreciated | 27,286,137 | 11,284,698 | - | (7,352,317) | 31,218,518 |
| Depreciable capital assets | | | | | - |
| Land improvements | 29,250,504 | 8,162 | (108,097) | - | 29,150,569 |
| Building and building improvements | 994,511,725 | 1,208,318 | - | 7,352,317 | 1,003,072,360 |
| Furniture and equipment | 96,557,080 | 11,605,905 | (5,145,129) | - | 103,017,856 |
| Library books | 2,523,340 | 169,846 | (425,895) | - | 2,267,291 |
| Artwork non-collection | 2,702,301 | 459,236 | (3,779) | - | 3,157,758 |
| Vehicles | 798,346 | 27,151 | (59,156) | - | 766,341 |
| Right-of-use assets - real estate | 11,854,862 | - | - | - | 11,854,862 |
| Right-of-use assets - equipment | 1,379,577 | 221,733 | - | - | 1,601,310 |
| Right-of-use assets - subscriptions | 25,254,828 | 472,692 | - | - | 25,727,520 |
| Total depreciable capital assets | 1,164,832,563 | 14,173,043 | (5,742,056) | 7,352,317 | 1,180,615,867 |
| Less: accumulated depreciation and amortization | | | | | |
| Land improvements | (12,951,069) | (1,210,326) | 22,278 | - | (14,139,117) |
| Building and building improvements | (421,046,464) | (24,703,513) | - | - | (445,749,977) |
| Furniture and equipment | (78,897,781) | (4,006,502) | 4,496,620 | - | (78,407,663) |
| Library books | (1,476,281) | (216,399) | 425,895 | - | (1,266,785) |
| Artwork non-collection | (1,687,469) | (170,545) | 3,779 | - | (1,854,235) |
| Vehicles | (670,786) | (40,381) | 59,156 | - | (652,011) |
| Right-of-use assets - real estate | (3,101,425) | (1,546,292) | - | - | (4,647,717) |
| Right-of-use assets - equipment | (541,655) | (397,203) | - | - | (938,858) |
| Right-of-use assets - subscriptions | (4,387,963) | (5,814,216) | - | - | (10,202,179) |
| Total accumulated depreciation and amortization | (524,760,893) | (38,105,377) | 5,007,728 | - | (557,858,542) |
| Depreciable Capital Assets, Net | 640,071,670 | (23,932,334) | (734,328) | 7,352,317 | 622,757,325 |
| Capital Assets, Net | $ 667,357,807 | $ (12,647,636) | $ (734,328) | $ - | $ 653,975,843 |

### 5. Unearned Revenue

Unearned tuition and fees and grants and contracts revenue for the year ended June 30 are as follows:

| | 2024 |
|---|---|
| Unearned tuition and fees | 5,722,831 |
| Deferred grants revenue | 26,708,830 |
| Total Unearned Tuition and Grant Revenue | 32,431,661 |

### 6. Accrued Compensated Absences

Accrued compensated absences consist of the following at June 30:

| | 2024 |
|---|---|
| Accrued vacation | 22,109,150 |
| Accrued sick leave | 10,208,280 |
| Other accrued fringe benefits | 2,453,009 |
| Total Accrued Compensated Absences | 34,770,439 |
| Less: Current Portion | (4,620,991) |
| Accrued Compensated Absences - Non-current Portion | 30,149,448 |

Activity for compensated absences as of June 30 includes:

| | | |
|---|---|---|
| Balance as of June 30, 2023 | $ | 37,022,180 |
| Additions, net of payouts | | (2,251,741) |
| Balance as of June 30, 2024 | $ | 34,770,439 |

These accruals represent amounts earned by all eligible employees through the end of the fiscal year. These accrued compensated absences (“ACA”) will be settled over a number of years and are not expected to have a significant impact on the future annual cash flows of CT State. The current portion of ACA is estimated based on recent past history.

### 7. Leases

CT State has entered into various leases for building, equipment, and infrastructure.

Long-term leases payable activity for the year ended June 30, 2024 is summarized as follows:

| Balance 6/30/23 | | Additions | | Deletions and Adjustments | | Balance 6/30/24 | | Amounts due within 1 year |
|---|---|---|---|---|---|---|---|---|
| 9,871,638 | $ | 221,733 | $ | (1,864,894) | $ | 8,228,477 | $ | 1,825,601 |

The principal and interest expense for the next five years and beyond are projected below for lease obligations:

| Fiscal Year | | Principal | | Interest | | Total |
|---|---|---|---|---|---|---|
| 2025 | $ | 1,825,601 | $ | 254,080 | $ | 2,079,681 |
| 2026 | | 1,468,256 | | 199,232 | | 1,667,488 |
| 2027 | | 950,016 | | 155,684 | | 1,105,700 |
| 2028 | | 807,320 | | 125,962 | | 933,282 |
| 2029 | | 792,893 | | 98,035 | | 890,928 |
| Thereafter | | 2,384,391 | | 130,775 | | 2,515,166 |
| Total Requirements | $ | 8,228,477 | $ | 963,768 | $ | 9,192,245 |
| Less Current | $ | (1,825,601) | | | | |
| Non-Current | $ | 6,402,876 | | | | |

**8. Subscription-Based Information Technology Arrangements**

CT State entered into various SBITAs that convey CSCU control of the right to use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. Of these SBITAs, some agreements call for payments that are partially or completely variable and therefore were not included in ROU subscription assets or subscription liabilities.

Long-term liability activity for the year ended June 30, 2024, is summarized as follows:

| Balance 6/30/23 | | Additions | | Deletions | | Balance 6/30/24 | | Amounts due within 1 year |
|---|---|---|---|---|---|---|---|---|
| 13,725,171 | $ | 456,594 | $ | (4,783,115) | $ | 9,398,650 | $ | 3,742,673 |

The principal and interest expense for the next five years and beyond are projected below for subscription obligations:

| Fiscal Year | | Principal | | Interest | | Total |
|---|---|---|---|---|---|---|
| 2025 | $ | 3,742,673 | $ | 501,571 | $ | 4,244,244 |
| 2026 | | 1,283,549 | | 316,138 | | 1,599,687 |
| 2027 | | 768,138 | | 242,519 | | 1,010,657 |
| 2028 | | 795,449 | | 199,903 | | 995,352 |
| 2029 | | 856,626 | | 156,223 | | 1,012,849 |
| Thereafter | | 1,952,215 | | 194,688 | | 2,146,903 |
| Total Requirements | $ | 9,398,650 | $ | 1,611,042 | $ | 11,009,690 |
| Less Current | $ | (3,742,673) | | | | |
| Non-Current | $ | 5,655,977 | | | | |

## 9. Bonds and Note Payable

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

On October 1, 2022**,** CSCU entered into an installment payment agreement (IPA) with a financial institution for $37.1 million for the purchase of IT infrastructure software and equipment. The outstanding balance on the IPA at June 30, 2024 is $31.8 million; CT State's distributive share of this CSCU note payable is $13.0 million and CSUS's share is $18.8 million. Part of the agreement included the receipt of cash of an equal amount in an escrow account to be used for the purchase of the equipment. The escrow account totaled $709 thousand at June 30, 2024 for CT State, and is included in cash and cash equivalents on the financial statements. The escrow account earned $182.7 thousand of interest during 2024. The agreement calls for annual payments beginning October 2023 and continuing until October 2029 at 0% interest. CT State's distributive portion of the payments is $2.2 million each year for the next 6 years.

## 10. Commitments and Contingencies

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

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

CT State 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 were as follows:

| | | 2024 |
|---|---|---|
| Asnuntuck Community College | $ | 701,421 |
| Capital Community College | | 1,123,375 |
| Gateway Community College | | 3,242,745 |
| Housatonic Community College | | 2,128,133 |
| Manchester Community College | | (11,673) |
| Middlesex Community College | | 1,443,232 |
| Naugatuck Valley Community College | | 1,751,481 |
| Northwestern Connecticut Community College | | 484,691 |
| Norwalk Community College | | 4,365,910 |
| Quinebaug Valley Community College | | 71,539 |
| System Office | | 9,623,576 |
| Three Rivers Community College | | 1,924,986 |
| Tunxis Community College | | 418,866 |
| | $ | 27,268,282 |

## 11. 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 Annual Comprehensive 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% match by the State 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 Alternate Retirement Program (ARP). Prior to this fiscal year, CSCU made contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut. Effective fiscal year 2024, the State pays retirement-related fringe benefit costs for all employees of the constituent units of the state higher education system.

Alternatively, employees may choose to participate in the ARP, which is a defined contribution plan managed by Empower. For eligible employees who first became ARP participants prior to September 1, 2017, they contribute 5.0% of their pay and the State contributes 7.0% to participants' investment accounts. For employees becoming ARP participants on or after September 1, 2017, they contribute 6.5% and the State contributes 7.0% to individual participants' investment accounts managed by Empower. Employees that became ARP employees on or after September 1, 2017 may opt out of the 6.5% contribution and elect a 5.0% participant contribution.

*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 State contributed $73.5 million and $2.1 million, on behalf of CT State, for SERS and TRS, respectively, for fiscal year 2024, equal to 100% and 119%, respectively, of the required contributions that year.

*Net Pension Liability*
CT State's net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2024 was measured and valued as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of those dates. CT State's proportion of the net pension liability was based on a projection of CT State'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, CT State's proportion was 2.25% as of June 30, 2024. For the TRS plan, CT State's proportion was 0.11% as of June 30, 2024.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to CT State is calculated separately. The net pension liability for CT State as of June 30, 2024 for SERS and TRS was $467.4 million and $19.4 million, respectively.

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

| Measurement Year | 2023 |
|---|---|
| Inflation | 2.50% |
| Salary increases including inflation | 3.00% to 11.50% |
| Investment rate of return net of pension plan investment expense, including inflation | 6.90% |

Mortality rates were based on the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2023 valuation (which was the basis for recording the June 30, 2024 financial statement liabilities) were based on the results of an actuarial experience study for the five-year period July 1, 2015 – June 30, 2020.

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 and by adding expected inflation.

The best estimates of geometric rates of return for each major asset class as of the 2023 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 6.8% |
| Public Credit | 2.0% | 2.9% |
| Core Fixed Income | 13.0% | 0.4% |
| Liquidity Fund | 1.0% | -0.4% |
| Risk Mitigation | 5.0% | 0.1% |
| Private Equity | 15.0% | 11.2% |
| Private Credit | 10.0% | 6.1% |
| Real Estate | 10.0% | 6.2% |
| Infrastructure and Natural Resources | 7.0% | 7.7% |
| | 100.0% | |

*Actuarial Assumptions for TRS:*

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

| Measurement Year | 2023 |
|---|---|
| Inflation | 2.50% |
| Salary increases including inflation | 3.00% to 6.50% |
| Investment rate of return net of pension plan investment expense, including inflation | 6.90% |

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at age 82 and above), projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The Pub-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 Employee Table projected generationally with MP-2019 was used 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 as of the 2023 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 6.8% |
| Public Credit | 2.0% | 2.9% |
| Core Fixed Income | 13.0% | 0.4% |
| Liquidity Fund | 1.0% | -0.4% |
| Risk Mitigation | 5.0% | 0.1% |
| Private Equity | 15.0% | 11.2% |
| Private Credit | 10.0% | 6.1% |
| Real Estate | 10.0% | 6.2% |
| Infrastructure and Natural Resources | 7.0% | 7.7% |
| | 100.0% | |

*Discount Rate for SERS:*

The discount rate used to measure the total pension liability was 6.9% in the 2023 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 6.9% in the 2023 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 CT State calculated using the current-period discount rate assumption of 6.9% for SERS and 6.9% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease (SERS - 5.9%) (TRS - 5.9%) | Current Discount (SERS - 6.9%) (TRS - 6.9%) | 1% Increase (SERS - 7.9%) (TRS - 7.9%) |
|---|---|---|---|
| SERS | $ 580,169,807 | $ 467,427,486 | $ 373,444,268 |
| TRS | 25,339,462 | 19,395,800 | 14,461,840 |

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

For the year ended June 30, 2024, CT State recognized an expense of $11 million for SERS and TRS. A schedule of deferred outflows and inflows of resources as of June 30, 2024 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to CT State that will be recognized in pension expense during the next five years is as follows:

| Fiscal Year Ending June 30, | SERS | TRS | Total |
|---|---|---|---|
| 2025 | $ (38,121,561) | $ 358,105 | $ (37,763,456) |
| 2026 | (48,645,386) | (701,796) | (49,347,182) |
| 2027 | (43,962,632) | 641,469 | (43,321,163) |
| 2028 | (27,299,432) | 363,019 | (26,936,413) |
| 2029 | (4,267,176) | 677,600 | (3,589,576) |
| Thereafter | - | 232,929 | 232,929 |
| Total | $ (162,296,187) | $ 1,571,326 | $ (160,724,861) |

## 12. Other Post-Employment Benefits

The State 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 SEOPEBP. 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*
SEOPEBP is primarily funded on a pay-as-you-go basis for non-contributory members and 100 percent for contributory members through an annual appropriation in the General Fund. 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 employee’s unions, upon approval by the State legislature. Current active employees contribute a percentage of their salary to the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits for a period of time. Employees hired prior to July 1, 2017, contribute 3% of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3% of their salary for 15 years. Contributions are refundable to employees who leave State employment prior to completing the required years of service.

Similar to pension, CT State’s contributions to SEOPEBP during the July 1, 2022 – June 30, 2023 measurement period were determined by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. However, legislation effective July 1, 2023, changed CT State’s State funding structure concerning employer contributions. As a result, CT State did not make any contributions to SEOPEBP in fiscal year 2024, as these were funded by the State. Furthermore, no amounts were reported as deferred outflows of resources as of June 30, 2024, for contributions made subsequent to the measurement date.

*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 SEOPEBP. 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 following is the asset allocation policy as of June 30, 2024:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 6.8% |
| Public Credit | 2.0% | 2.9% |
| Core Fixed Income | 13.0% | 0.4% |
| Liquidity Fund | 1.0% | -0.4% |
| Risk Mitigation | 5.0% | 0.1% |
| Private Equity | 15.0% | 11.2% |
| Private Credit | 10.0% | 6.1% |
| Real Estate | 10.0% | 6.2% |
| Infrastructure and Natural Resources | 7.0% | 7.7% |
| | 100.0% | |

*Net OPEB Liability*

CT State's net OPEB (NOL) liability is valued one year in arrears. The total OPEB liability (TOL) used to calculate the NOL was determined based on an actuarial valuation report as June 30, 2023. The TOL measured since the prior measurement date of June 30, 2022, reflects changes in actuarial assumptions. The discount rate was updated for contributory and non-contributory members. Per capita health cost, administrative costs, and retiree contributions were updated for recent experience. Actuarial factors used to estimate individual retiree and spouse costs by age and gender were adjusted. In addition, healthcare cost trend rates and retiree contribution rates were adjusted and the Medicare prescription drug trend rates were updated to include an estimate for the impact of the Inflation Reduction Act.

CT State's proportion of the collective NOL was based on its share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, the CT State's proportion was 4.67% as of the measurement date of June 30, 2023, which was a decrease of 0.17 percentage points from its proportion measured as of June 30, 2022. CT State's proportionate share of the collective NOL as of June 30, 2024 was $728.6 million.

Legislative changes effective after the June 30, 2023 measurement date are anticipated to impact CT State's proportionate share of the collective net OPEB liabilities, deferred inflows and deferred outflows of resources, and related OPEB expenses in future periods. The implications of these changes are still being evaluated as of the reporting date.

*Actuarial Assumptions:*

The total OPEB liability was determined by actuarial valuations as of June 30, 2024 using the following actuarial assumptions:

| Measurement Year | 2024 |
|---|---|
| Inflation | 2.50% |
| Payroll growth rate | 3.00% |
| Salary increases | 3.00% to 11.50% varying by years of service and retirement system |
| Discount rate | 6.90% contributory and 3.65% non-contributory members as of June 30, 2023 |
| | 3.90% for all members as of June 30, 2022 |
| Healthcare cost trend rates: | |
| Medical (Non-Medicare)l | -0.35%, then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year |
| Prescription drug (Non-Medicare) | 2.35%, then 6.50% decreasing by 0.25% each year to an ultimate level of 4.50% pear year |
| Medical and Prescription Drug (Medicare) | 32.51%. 59.22%, 28.24% then 5.75% decreasing by 0.25% each year to an ultimatle level of 4.50% per year |

| **Mortality Rates** | |
|---|---|
| Pre-Retirement: | Pub-2010 General, Above-Median, Employee Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Healthy Annuitant: | Pub-2010 General, Above-Median, Healthy Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Disabled Annuitant: | Pub-2010 General, Disabled Retiree Employee Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Contingent Annuitant: | Pub-2010 General, Above-Median, Contingent Annuitant Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |

The projection of cash flows used to determine the discount rate 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% lower or 1% higher than the current rate utilized:

For measurement date of June 30, 2023:

**Discount rate comparison:**

| | 1% Decrease in Discount Rate (5.90%) | Current Discount Rate (6.90%) | 1% Increase in Discount Rate (7.90%) |
|---|---|---|---|
| Net OPEB Liability | $ 847,138,004 | $ 728,626,929 | $ 631,589,255 |

**Health care trend rate comparision:**

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---|---|---|---|
| Net OPEB Liability | $ 630,698,962 | $ 728,626,929 | $ 848,819,640 |

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

For the year ended June 30, 2024, CT State recognized an OPEB expense of $900 thousand. A schedule of deferred outflows and inflows of resources as of June 30, 2024 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to CT State that will be recognized in OPEB expense during the next five years is as follows:

| Fiscal Years Ending June 30, | | OPEB |
|---|---|---|
| 2025 | $ | (85,816,845) |
| 2026 | | (98,220,513) |
| 2027 | | (55,577,033) |
| 2028 | | (15,248,369) |
| 2029 | | (1,309,996) |
| Thereafter | | - |
| Total | $ | (256,172,756) |

## 13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2024:

| As of June 30, 2024 | SERS | TRS | OPEB | Leases | Total |
|---|---|---|---|---|---|
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Difference between expected and actual experience | $ 48,867,265 | $ 686,615 | $ 7,611,590 | $ - | $ 57,165,470 |
| Changes of assumptions or other inputs | - | 1,410,601 | 62,299,531 | - | 63,710,132 |
| Net difference between projected and actual earnings on pension plan investments | 8,889,887 | 789,479 | 4,569,510 | - | 14,248,876 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 54,244,277 | 6,284,925 | 108,379,822 | - | 168,909,024 |
| Employer contributions after measurement date | - | - | - | - | - |
| **Total Deferred Outflows of Resources** | **$ 112,001,429** | **$ 9,171,620** | **$ 182,860,453** | **$ -** | **$ 304,033,502** |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Difference between expected and actual experience | $ - | $ 152,885 | $ 49,796,311 | $ - | 49,949,196 |
| Changes of assumptions or other inputs | 475,165 | - | 224,176,952 | - | 224,652,117 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 273,822,451 | 7,447,409 | 165,059,946 | - | 446,329,806 |
| Unrecognized revenues from other than short term leases | - | - | - | 614,378 | 614,378 |
| **Total Deferred Inflows of Resources** | **$ 274,297,616** | **$ 7,600,294** | **$ 439,033,209** | **$ 614,378** | **$ 721,545,497** |

## 14. Natural Classification with Functional Classification

The operating expenses by functional classification for the year ended June 30, 2024 are summarized as follows:

| | Salaries and wages | Fringe benefits | Professional services and fees | Educational services and support | Travel expenses | Operation of facilities | Other operating supplies and expenses | Scholarship aid, net | Depreciation and amortization expense | Total operating expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| Academic support | $ 37,825,091 | $ 12,478,661 | $ 2,236,364 | $ 4,002,838 | $ 1,359,687 | $ 805,982 | $ 3,987,149 | $ - | $ - | $ 62,695,772 |
| Auxilliary enterprises | 81,549 | (118,946) | 123,796 | - | 155 | 3,073 | 60,395 | - | - | 150,022 |
| Depreciation and amortization | - | - | - | - | - | - | - | | 38,105,377 | 38,105,377 |
| Institutional support | 36,997,416 | 10,074,805 | 11,218,145 | 71,122 | 358,800 | 174,195 | 15,633,756 | - | - | 74,528,239 |
| Instruction | 143,480,760 | 34,587,609 | 863,992 | 4,671,218 | 155,307 | 380,272 | 649,816 | - | - | 184,788,975 |
| Library | 6,230,503 | 1,908,271 | 99,971 | 1,154,208 | 3,602 | 10,410 | 273,314 | - | - | 9,680,279 |
| Physical plant | 11,719,342 | 4,947,323 | 190,067 | 20,319 | 30,910 | 28,179,818 | 1,685,129 | - | - | 46,772,908 |
| Public service | 117,711 | 98,823 | 287,161 | 404,608 | 7,588 | 101,423 | 246,903 | - | - | 1,264,216 |
| Scholarship aid | - | - | - | - | - | - | - | 28,134,845 | - | 28,134,845 |
| Student services | 37,871,619 | 12,601,841 | 1,700,720 | 1,456,354 | 144,406 | 45,630 | 543,607 | - | - | 54,364,177 |
| | $ 274,323,991 | $ 76,578,387 | $ 16,720,215 | $ 11,780,668 | $ 2,060,456 | $ 29,700,803 | $ 23,080,068 | $ 28,134,845 | $ 38,105,377 | $ 500,484,810 |

## REQUIRED SUPPLEMENTARY INFORMATION

**State Employee Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| CT State's proportion of the net pension liability | 2.25% | 2.88% | 3.99% | 3.78% | 3.89% | 3.55% | 3.55% | 3.61% | 3.60% | 3.38% |
| CT State's proportionate share of the net pension liability | $ 467,427 | $ 635,914 | $ 848,177 | $ 895,828 | $ 888,170 | $ 770,504 | $ 747,249 | $ 829,328 | $ 594,978 | $ 540,627 |
| CT State's covered payroll | $ 93,937 | $ 109,200 | $ 153,456 | $ 138,687 | $ 143,525 | $ 121,796 | $ 136,569 | $ 134,378 | $ 130,285 | $ 117,737 |
| CT State's proportionate share of the net pension liability as a percentage of its covered payroll | 498% | 582% | 553% | 646% | 619% | 633% | 547% | 617% | 457% | 459% |
| Plan Fiduciary net position as a percentage of the total pension liability | 50.59% | 45.76% | 44.55% | 35.84% | 36.79% | 36.62% | 36.25% | 31.69% | 39.23% | 39.54% |

**Teachers Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| CT State's proportion of the net pension liability | 0.11% | 0.08% | 0.11% | 0.11% | 0.19% | 0.19% | 0.09% | 0.09% | 0.11% | 0.11% |
| CT State's proportionate share of the net pension liability | $ 19,396 | $ 15,054 | $ 16,910 | $ 21,338 | $ 32,758 | $ 25,258 | $ 12,130 | $ 12,798 | $ 12,018 | $ 11,109 |
| CT State's covered payroll | $ 5,593 | $ 3,758 | $ 5,483 | $ 5,348 | $ 5,559 | $ 6,578 | $ 3,549 | $ 3,549 | $ 4,327 | $ 4,197 |
| CT State's proportionate share of the net pension liability as a percentage of its covered payroll | 347% | 401% | 308% | 399% | 589% | 384% | 342% | 361% | 278% | 265% |
| Plan Fiduciary net position as a percentage of the total pension liability | 58.39% | 54.06% | 60.77% | 49.24% | 52.00% | 57.69% | 55.93% | 52.26% | 59.50% | 61.56% |

**Other Post Employment Benefits**
Last 10 Fiscal Years [1]
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| CT State's proportion of the net OPEB liability | 4.67% | 4.84% | 4.83% | 5.00% | 5.45% | 4.81% | 3.90% | 4.03% |
| CT State's proportionate share of the net OPEB liability | $ 728,627 | $ 749,814 | $ 942,813 | $ 1,178,083 | $ 1,128,068 | $ 834,514 | $ 841,978 | $ 869,279 |
| CT State's covered payroll | $ 227,294 | $ 181,848 | $ 176,189 | $ 187,455 | $ 197,396 | $ 194,412 | $ 200,796 | $ 206,023 |
| CT State's proportionate share of the net OPEB liability as a percentage of its covered payroll | 321% | 412% | 535% | 628% | 571% | 429% | 419% | N/A |
| Plan Fiduciary net position as a percentage of the total OPEB liability | 14.60% | 12.63% | 10.12% | 6.13% | 5.40% | 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.*

**State Employee Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 73,498 | $ 82,157 | $ 71,276 | $ 61,039 | $ 61,450 | $ 51,270 | $ 55,136 | $ 54,676 | $ 49,636 | $ 42,837 |
| Contributions in relation to the contractually required contribution | (73,498) | (82,157) | (71,276) | (61,039) | (61,450) | (51,270) | (54,695) | (54,239) | (49,388) | (42,837) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ 441 | $ 437 | $ 248 | $ - |
| CT State's covered payroll | $ 93,937 | $ 109,200 | $ 153,456 | $ 138,687 | $ 139,212 | $ 121,796 | $ 136,569 | $ 136,569 | $ 130,285 | $ 117,737 |
| Contributions as a percentage of covered payroll | 78.24% | 75.24% | 46.45% | 44.01% | 44.14% | 42.09% | 40.05% | 39.72% | 37.91% | 36.38% |

**Teachers Retirement System Plan**
Last 10 Fiscal Years [1]
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,800 | $ 1,187 | $ 1,416 | $ 1,370 | $ 2,480 | $ 2,441 | $ 909 | $ 876 | $ 1,078 | $ 1,039 |
| Contributions in relation to the contractually required contribution | (2,134) | (2,367) | (1,811) | (1,642) | (1,963) | (1,296) | (551) | (1,613) | (1,970) | (1,927) |
| Contribution deficiency (excess) | $ (335) | $ (1,180) | $ (395) | $ (273) | $ 517 | $ 1,145 | $ 358 | $ (737) | $ (892) | $ (888) |
| CT State's covered payroll | $ 5,593 | $ 3,758 | $ 5,483 | $ 5,348 | $ 5,559 | $ 6,578 | $ 3,549 | $ 3,549 | $ 4,327 | $ 4,197 |
| Contributions as a percentage of covered payroll | 38.16% | 62.98% | 33.03% | 30.71% | 35.31% | 19.70% | 15.53% | 45.45% | 45.53% | 45.91% |

**Other Post Employment Benefits**
Last 10 Fiscal Years [1]
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 39,728 | $ 41,023 | $ 41,912 | $ 43,399 | $ 41,067 | $ 38,542 | $ 32,590 | $ 30,682 |
| Contributions in relation to the contractually required contribution | (39,728) | (41,023) | (41,912) | (43,399) | (41,067) | (38,542) | (32,590) | (30,682) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| CT State's covered-employee payroll | $ 227,294 | $ 181,848 | $ 176,189 | $ 187,455 | $ 197,396 | $ 194,412 | $ 200,796 | $ 206,023 |
| Contributions as a percentage of covered payroll | 17.48% | 22.56% | 23.79% | 23.15% | 20.80% | 19.83% | 16.23% | 14.89% |

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

## 1. Notes to Required Supplementary Information

Pension Plans

Changes of benefit terms:
- Legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019

Changes of assumptions:
- None

State Employee OPEB Plan

Changes of benefit terms:
- None

Changes of assumptions:
Effective June 30, 2023:
- The discount rate was updated in accordance with GASB No. 75 to 3.90% as of June 30, 2022

Effective June 30, 2024:
- The discount rate was updated to 6.90% as of June 30, 2023 for contributory members and 3.65% as of June 30, 2023 for non-contributory members.
- The per capita health costs, administrative expenses and retiree contributions were updated for recent experience.
- The actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated.
- The health care cost trend rates and the retiree contribution increase rates were revised to reflect current experience and future expectations.
- The Medicare prescription drug trend rates were updated to reflect an estimate for the impact of the Inflation Reduction Act.

CHARTER OAK STATE COLLEGE

# Annual Comprehensive Financial Report

## for the year ended June 30, 2024

*Included as an Enterprise Fund of the State of Connecticut*

Draft 4
02-09-25

CSCU

# Charter Oak STATE COLLEGE

A Higher Degree of Online Learning

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 7/1/2022 and 6/30/2023)**

- 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)
- Seven 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
  - CT Chief Workforce Officer
  - Chair and Vice Chair of the Faculty Advisory Committee

**REGENTS AS OF 6/30/23**

*(One legislative vacancy)*

JoAnn Ryan, Chair g (term expired 6-30-2024)
Richard J. Balducci *
Ira Bloom g
Carla Galaise s (term expired 5-23-2024)
Martin C. Guay g
Juanita James g
Sophia Jappinen *
Jim McCarthy, Vice Chair g
Richard Porth g
Luis Sanchez s
Ari Santiago g
Erin Stewart *
Elease E. Wright g
Theodore Yang g

[g] Gubernatorial Appointment  * Legislative Appointment  [s] Student Regent

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

Brendan Cunningham –Chair of the Faculty Advisory Committee
Colena Sesanker – Vice Chair of the Faculty Advisory Committee
Dante Bartolomeo – Commissioner of the CT Department of Labor
Charlene Russell-Tucker –Commissioner of the State Department of Education
Daniel H. O’Keefe – Commissioner of Department of Economic and Community Development
Dr. Manisha Juthani – Commissioner CT Dept. of Public Health
Kelli-Marie Vallieres – CT Chief Workforce Officer

**Charter Oak State College**
185 Main Street
New Britain, CT 06051

Ed Klonoski, President

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

Terrence Chang, Chancellor

## 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 unit for the fiscal year ended June 30, 2024, along with comparative information for the prior fiscal year ended June 30, 2023. 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 (known as CT State Community College effective July 1, 2023) and COSC, 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 2024 to prior reporting periods is included. Full financial statements and footnotes for fiscal year 2024 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 unit").

The Charter Oak State College Foundation (the "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 COSC and to solicit, receive and administer donations for such purposes.

## Financial Highlights

COSC had total assets of $24.0 million, deferred outflows of $8.0 million, liabilities of $45.0 million, deferred inflows of $16.0 million and a total net position balance of ($29.1) million as of June 30, 2024. Of this amount, ($37.5) million is classified as unrestricted net position which increased slightly when compared to 2023. 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.

CSCU

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $11.0 million, up 43% as compared to the previous year. Operating expenses were $20.8 million, a 21% increase from the previous year, resulting in an operating loss of $9.8 million during the year ended June 30, 2024. Net non-operating revenues and other changes were $11.3 million, down 43% compared with prior year. State of Connecticut general fund appropriations were down 34% within fiscal 2024 at $6.6 million.

Cash and cash equivalents were $15.0 million at June 30, 2024, including $0.7 million of cash equivalents restricted for use in the form of specific programmatic expenditures or other governing agreements. Total current assets were $16.3 million as of June 30, 2024 compared to $12.9 million in the prior year. Liabilities decreased from $47.2 million to $45.0 million attributable to a combined decrease in current and non-current liabilities. The majority of the 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 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 COSC, including capital assets net of depreciation.

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

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | $ 16,271 | $ 12,942 | 26% |
| Non-current assets | 7,678 | 7,567 | 1% |
| Total assets | 23,949 | 20,509 | 17% |
| **DEFERRED OUTFLOWS OF RESOURCES** | 8,006 | 13,248 | -40% |
| **LIABILITIES** | | | |
| Current liabilities | 2,390 | 2,908 | -18% |
| Noncurrent liabilities | 42,627 | 44,255 | -4% |
| Total liabilities | 45,017 | 47,163 | -5% |
| **DEFERRED INFLOWS OF RESOURCES** | 15,999 | 17,149 | -7% |
| **NET POSITION** | | | |
| Invested in capital assets | 7,678 | 7,567 | 1% |
| Restricted-expendable | 793 | 742 | 7% |
| Unrestricted | (37,532) | (38,864) | -3% |
| Total net position | (29,061) | (30,555) | 5% |

*Current assets* consist of cash, cash equivalents, accounts receivable and prepaid assets. The 26% increase in current assets from the previous year is largely attributable to an increase in cash and accounts receivable driven by increased tuition and grant revenues. 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.

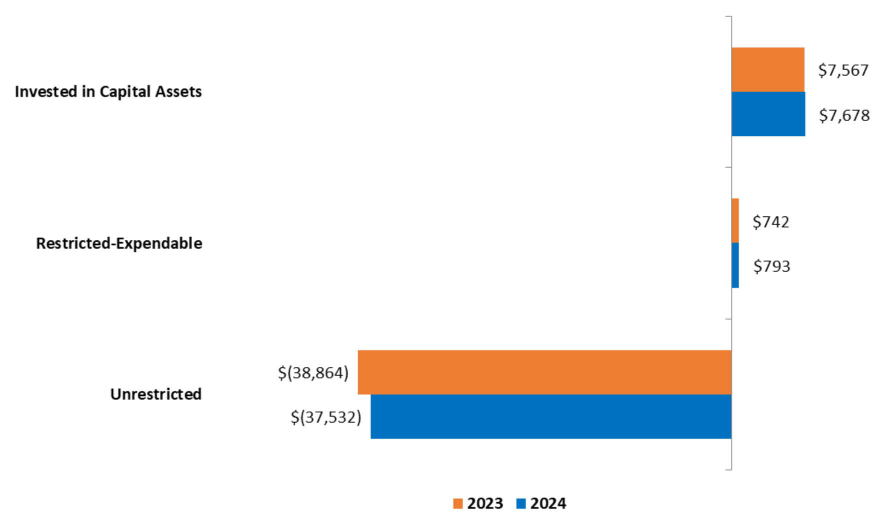
*Non-current assets* increased by slightly from $7.6 million at June 30, 2023, to $7.7 million at June 30, 2024. This increase was due to finalizing construction of the College's new headquarters which was previously recorded as part of construction in progress in the prior year. Net capital assets account for the total amount of non-current assets. Accumulated depreciation decreased significantly between June 30, 2024 and 2023 as capital assets in service associated with COSC's previous campus were retired. COSC does not carry capital debt with bonding and debt repayment being the direct and sole responsibility of the State of Connecticut and therefore are not reflected in COSC's financial statements.

*Current liabilities* consist primarily of accrued payroll and related benefits, unearned revenue, and accounts payable. Total current liabilities were $2.4 million at the end of fiscal year 2024, representing a $0.5 million decrease from fiscal year 2023. The most significant current liability was unearned revenue which decreased year over year due to the timing of the 2024 summer semester. Additional current liabilities include accounts payable, accrued payroll, accrued compensated absences (sick and vacation time benefits) and subscription liabilities that will be paid within the coming year.

*Non-current liabilities* consist of $15.8 million in pension liability, $25.4 million in other post-employment benefit liabilities and long-term accrued compensated absences ("ACA") of $1.1 million– to be paid out to terminating employees over time in the future beyond one year. Total non-current liabilities decreased by 4% in 2024 due to decreases in retirement benefit allocations from the State of Connecticut. These long-term liabilities however 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 share of the State of Connecticut's unfunded pension and OPEB liabilities that are not ultimately paid by COSC.

The total *net position* balance improved slightly in the current year as a result of stronger operating revenues.

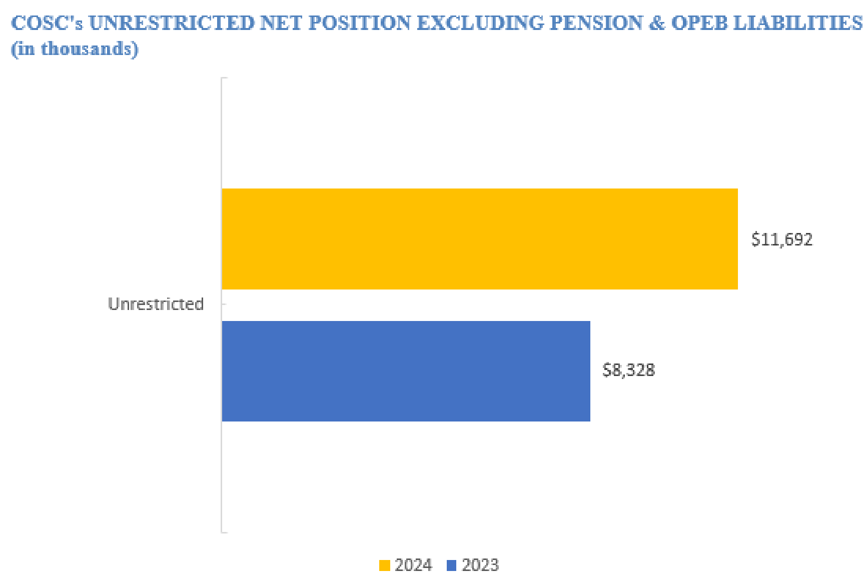
COSC NET POSITION (in thousands)



*Restricted-Expendable* net position represents primarily bond fund appropriation balances at June 30, 2024 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") is 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 $3.4 million to $11.7 million during fiscal year 2024. The increase was due to stronger operating revenues and state appropriations through the American Rescue Plan Act ("ARPA"). The table below illustrates the fluctuations in aggregate COSC UNP (in millions) over the past several years:

| | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY 24 |
|---|---|---|---|---|---|---|---|---|
| UNP Excluding Pension and OPEB Liability: | $0.8 | $0.9 | $3.5 | $6.0 | $6.9 | $7.7 | $8.3 | $11.7 |
| UNP Adjusted for Pension Liability: | ($7.4) | ($8.9) | ($8.7) | ($9.0) | ($11.0) | ($11.7) | ($8.8) | ($18.3) |
| UNP Adjusted for Pension & OPEB Liability: | ($34.3) | ($36.0) | ($36.0) | ($37.6) | ($41.5) | ($42.8) | ($38.8) | ($37.5) |




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

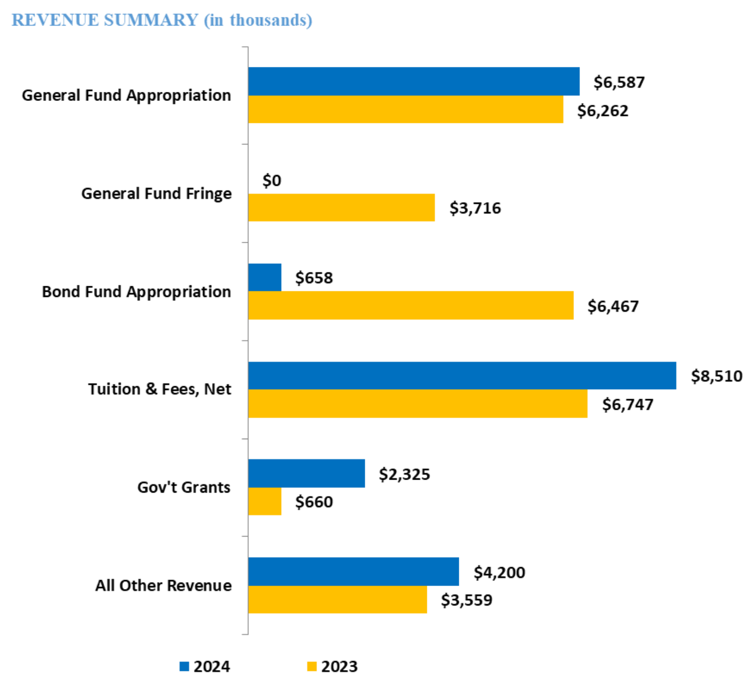
The Statement of Revenues, Expenses and Changes in Net Position presents COSC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2024 were $11.0 million, up 43% from $7.7 million in fiscal year 2023. *Net student tuition and fees* of $8.5 million represent the largest portion of operating revenue and increased 26% as compared to fiscal year 2023 due to increased enrollment. Additionally, revenues associated with grants were up 252% yielding $2.3 million in the current year primarily associated with federal grants.

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

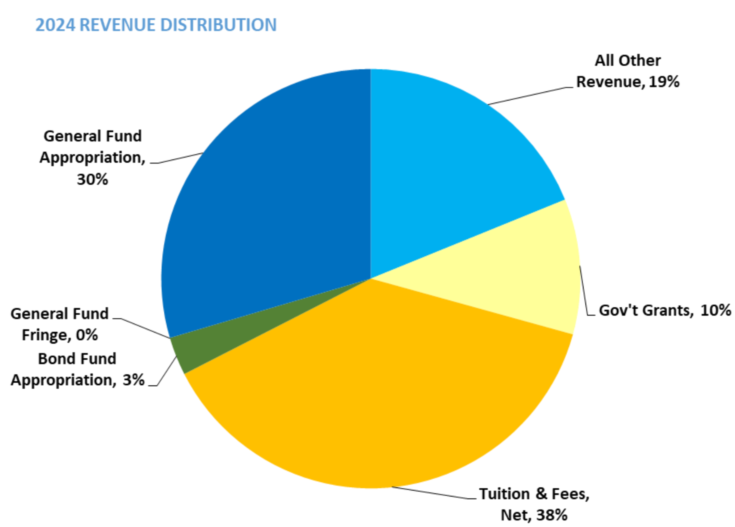
| | 2024 | 2023 | % Change |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Tuition and fees, net | 8,510 | 6,747 | 26% |
| Government grants and contracts | 2,325 | 660 | 252% |
| Additional operating revenues | 136 | 241 | -44% |
| Total operating revenues | 10,971 | 7,648 | 43% |
| **OPERATING EXPENSES** | | | |
| Expenses before depreciation & amortization | 19,995 | 16,886 | 18% |
| Depreciation & amortization | 791 | 300 | 164% |
| Total operating expenses | 20,786 | 17,186 | 21% |
| Operating loss | (9,815) | (9,538) | -3% |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| State appropriations - general fund * | 6,587 | 9,978 | -34% |
| State appropriations - capital appropriations | 658 | 6,467 | -90% |
| Pell Grants | 3,838 | 2,716 | 41% |
| Other non-operating revenues (expenses), net | 226 | 602 | -62% |
| Net non-operating revenues | 11,309 | 19,763 | -43% |
| **NET POSTION** | | | |
| Change in net position | 1,494 | 10,225 | 85% |
| Net position, beginning of year | (30,555) | (40,780) | 25% |
| Net position, end of year | $ (29,061) | $ (30,555) | 5% |

* Including non-cash fringe benefit expenditures in 2023

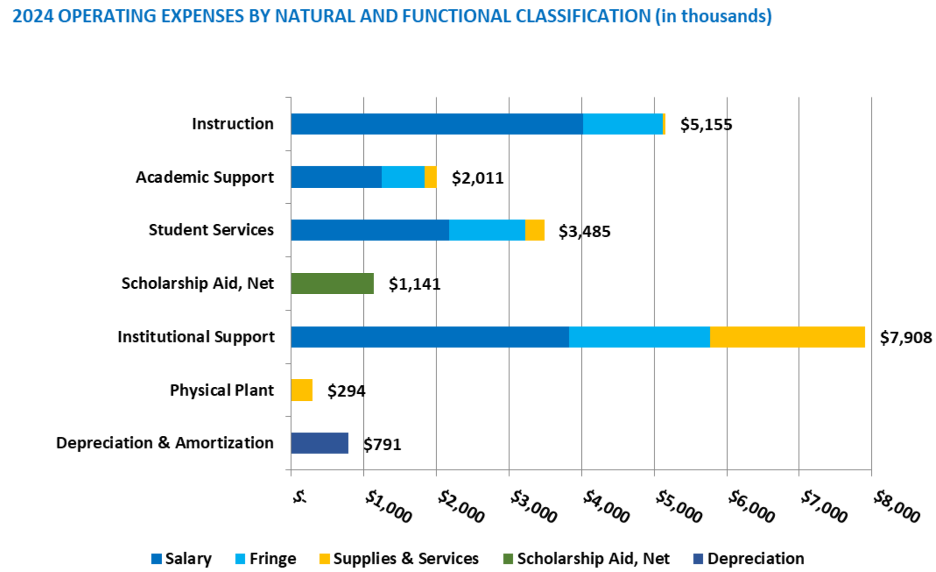
COSC recorded an operating loss of $9.8 million during the year ended June 30, 2024. The primary contributing factor of operating losses is that State appropriations and Pell Grant revenue are classified as *non-operating revenues* under GASB 35 although the expenditures of these resources on personnel, non-capital equipment, depreciation and scholarships are an operating expense. Tuition and fees increased as a result of larger enrollment while government grants increased as a result of increased federal grant funding for various projects. State appropriations decreased as a result of no longer being provided appropriations to cover the cost of fringe benefits. Capital appropriations were also down as a result of completing construction on COSC's new headquarters. In the current fiscal year, Pell grants significantly increased which are considered non-operating as previously noted.



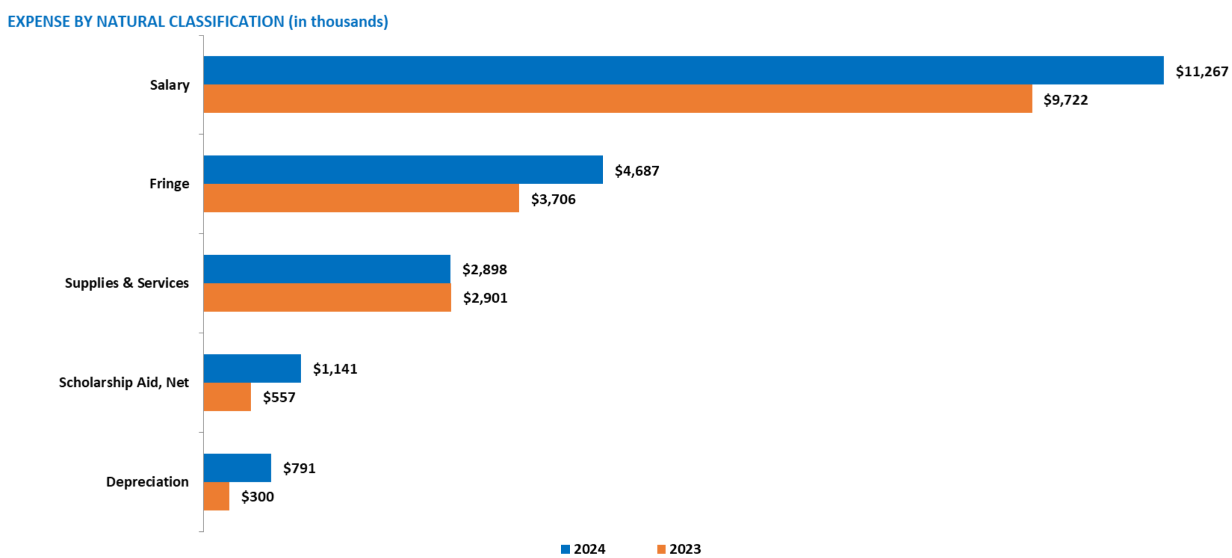

The State general fund appropriation for salaries increased 5% from the prior year due to increased allocations approved through the State of Connecticut budgetary process. Reimbursements to cover fringe benefits were zero in the current period due to the change in the way fringe expenses are allocated. Beginning in fiscal year 2024, COSC was no longer required to make retirement benefit contributions. Instead of fringe being a component of operating appropriations, the State now covers the fringe benefits of retirement-related costs and the higher education units fund non-state retirement costs such as medical insurance, life insurance, social security and Medicare taxes. COSC received $0.7 million in bond fund appropriations for various technology upgrades as compared to $6.5m in 2023 for the construction of COSC's new headquarters.



*Total operating expenses* for fiscal year 2024 were $20.8 million. This reflects an operating expense increase of 21% from $17.1 million in fiscal year 2023. The increase in fiscal year 2024 is associated with increased salaries, greater depreciation and amortization and increased student aid payments associated with grant funded programs.




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 COSC.



CSCU

**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 $8.4 million and receipts from grants and contracts of $2.4 million, which is up $1.6 million compared to prior year. The largest operating cash outflows include salaries paid to employees of $13.6 million, which is consistent with fiscal year 2023. Operating cash outflows also include vendor payments of $3.5 million up from $2.8 million in the prior year. Payments to students of $1.1 million for financial aid refunds and federal grant stipends were up year over year due to additional grant awards received in 2024. Net cash used in operating activities decreased 18% in fiscal year 2024 when compared to fiscal year 2023, reflecting greater tuition revenues collected.

*Non capital financing* cash flows are derived from State appropriations and federal aid for students. Non capital financing cash flows increased 14% in fiscal year 2024 primarily due to an increase in Pell grant revenue.

*Capital and related financing* cash flows are derived from capital appropriations from the state. Cash provided by *investing activities* represents amounts of interest income earned on operating fund cash balances invested by the State treasurer on behalf of COSC and distributed quarterly which increased year over year due to increased return rates from the State's short term investment pool. The increase in cash coupled with increasing federal interest rates caused COSC's interest income to grow materially between years.

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

| | 2024 | 2023 | % Change |
|---|---|---|---|
| **NET CASH PROVIDED BY (USED IN)** | | | |
| Operating activities | $ (7,386) | $ (8,958) | -18% |
| Noncapital financing activities | $ 10,430 | 9,154 | 14% |
| Capital and related financing activities | $ (390) | (10) | n/m |
| Investing activities | $ 673 | 432 | 56% |
| Net change in cash and cash equivalents | 3,327 | 618 | 438% |
| **CASH AND CASH EQUIVALENTS** | | | |
| Cash and cash equivalents, beginning of year | 11,746 | 11,128 | 6% |
| Cash and cash equivalents, end of year | $ 15,073 | $ 11,746 | 28% |

## Enrollment Table

COSC State College will face significant challenges and opportunities in the years ahead related to enrollment 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 over time:

| Year Ended June 30 | Unduplicated Headcount | % Change | FTE | % Change |
|---|---|---|---|---|
| 2024 | 2,540 | 7.3% | 1,175 | 16.6% |
| 2023 | 2,367 | 3.5% | 1,008 | 6.1% |
| 2022 | 2,286 | -1.1% | 950 | -3.26% |
| 2021 | 2,312 | -1.6% | 982 | 0.5% |
| 2020 | 2,350 | 0.6% | 977 | 7.1% |
| 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

COSC operates in the higher education environment which is being shaped by the increasing demand for accessible and affordable online education. For the fiscal year ending June 30, 2024, COSC experienced notable enrollment growth, with a 7.3% increase in unduplicated headcount and a 16.6% rise in full-time equivalent (FTE) students compared to the prior year. This growth reflects COSC's ongoing efforts to meet the needs of adult learners through flexible, affordable, high-quality academic programs. The expansion of grant-funded programs and prudent tuition price setting have contributed to increased operating revenues, helping COSC support its mission of providing affordable, career-aligned education.

The financial landscape for COSC is influenced by broader economic conditions, including changes in state funding levels and the increasing costs of providing competitive online programs. While total operating revenues rose 43% in fiscal year 2024, supported by increased enrollment, COSC faced a 21% increase in operating expenses due to higher personnel costs, student aid, and depreciation. COSC's cost structure is highly dependent on tuition. COSC's focus on efficient resource allocation and maintaining affordability remains critical to navigating these challenges, while its status as Connecticut's only fully online public college positions it well to respond to the growing demand for flexible higher education options.

## 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, Vice President for Administration & Chief Financial Officer (860-515-3760).

**Hold for Independent Auditors Report**

**Hold for Independent Auditors Report**

**Hold for Independent Auditors Report**

| | 2024 |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents | 15,071,714 |
| Accounts receivable, net | 515,594 |
| Other current assets | 683,429 |
| Total current assets | 16,270,737 |
| Noncurrent assets: | |
| Capital assets, net of depreciation and amortization | 7,678,497 |
| Total noncurrent assets | 7,678,497 |
| Total assets | 23,949,234 |
| Deferred outflows of resources: | |
| Deferred pension | 3,639,175 |
| Deferred other post-employment benefits | 4,366,891 |
| Total deferred outflows of resources | 8,006,066 |
| **Liabilities** | |
| Current liabilities | |
| Accounts payable and accrued liabilities | 108,375 |
| Accrued payroll | 486,441 |
| Unearned tuition revenues | 889,070 |
| Subscription liabilities | 98,430 |
| Accrued employee compensated absences | 807,902 |
| Total current liabilities | 2,390,218 |
| Noncurrent liabilities | |
| Subscription liabilities | 315,050 |
| Accrued employee compensated absences | 1,080,961 |
| Net pension liability | 15,786,792 |
| Net other post-employment benefit liability | 25,444,694 |
| Total noncurrent liabilities | 42,627,497 |
| Total liabilities | 45,017,715 |
| Deferred inflows of resources: | |
| Deferred pension | 6,165,321 |
| Deferred other post-employment benefits | 9,833,657 |
| Total deferred inflows of resources | 15,998,978 |
| **Net Assets** | |
| Invested in capital assets | 7,678,497 |
| Restricted expendable | 792,872 |
| Unrestricted | (37,532,762) |
| Total net position (deficit) | (29,061,393) |

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

# Charter Oak State College

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2024

| | 2024 |
|---|---|
| **Operating revenues:** | |
| Student tuition and fees | 14,257,318 |
| Less: scholarships and fellowships | (5,747,302) |
| Net tuition and fees | 8,510,016 |
| Federal grants and contracts | 2,156,837 |
| State and local grants and contracts | 168,010 |
| Nongovernmental grants and contracts | 68,849 |
| Other operating revenue | 66,852 |
| Total operating revenues | 10,970,564 |
| **Operating expenses:** | |
| Personnel services and fees | 15,954,658 |
| Professional services and fees | 378,755 |
| Travel expenses | 124,984 |
| Operation and maintenance of plant | 293,601 |
| Student aid | 1,141,417 |
| Technology expenses | 703,513 |
| Marketing costs | 904,305 |
| Other operating expenses | 493,161 |
| Amortization expense | 216,157 |
| Depreciation expense | 574,314 |
| Total operating expenses | 20,784,865 |
| Net operating income (loss) | (9,814,301) |
| **Nonoperating revenues (expenses):** | |
| State appropriations | 6,586,652 |
| Investment income | 672,725 |
| Interest expense on subscription liabilities | (9,608) |
| Other nonoperating revenues | 5,959 |
| Federal emergency grant revenue | - |
| Pell grants | 3,837,520 |
| Net nonoperating revenues | 11,093,248 |
| Increase (decrease) in net position before capital appropriations | 1,278,947 |
| **Other changes in net position:** | |
| Capital appropriations | 657,795 |
| Loss on transfer or disposal of assets | (442,645) |
| Total other changes in net position | 215,150 |
| Increase (decrease) in net position | 1,494,097 |
| **Net position:** | |
| Net assets - beginning of year | (30,555,490) |
| Net assets - end of year | (29,061,393) |

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

CSCU

| | | 2024 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Tuition and fees | $ | 8,426,140 |
| Grants and contracts | | 2,393,696 |
| Payments to employees | | (13,615,695) |
| Payments to suppliers and vendors | | (3,515,845) |
| Payments to students | | (1,141,417) |
| Other operating receipts | | 66,852 |
| Net cash used in operating activities | | (7,386,269) |
| **Cash flows from non-capital financing activities** | | |
| State appropriations | | 6,586,652 |
| Pell grants | | 3,837,520 |
| Other | | 5,959 |
| Net cash provided by non-capital financing activities | | 10,430,131 |
| **Cash flows from capital financing activities** | | |
| Capital appropriations | | 657,795 |
| Cash paid for right of use assets | | (161,005) |
| Purchases of capital assets | | (887,272) |
| Net cash provided by capital financing activities | | (390,482) |
| **Cash flows from investing activities** | | |
| Interest on cash held by the State | | 672,725 |
| Net increase (decrease) in cash and equivalents | | 3,326,105 |
| Cash and equivalents, beginning of year | | 11,745,609 |
| Cash and equivalents, end of year | | 15,071,714 |
| **Reconciliation of net operating loss to net cash used in operating activities** | | |
| Net operating loss | | (9,814,301) |
| Adjustments to reconcile net operating loss to net cash used by operating activities: | | |
| Depreciation and amortization | | 790,471 |
| Changes in assets and liabilities: | | |
| Accounts receivable | | 105,371 |
| Other current assets | | (108,400) |
| Accounts payable | | (209,773) |
| Accrued payroll | | (102,351) |
| Accrued employee compensation and benefits | | 266,151 |
| Unearned tuition revenues | | (345,711) |
| Net pension obligation | | 1,173,000 |
| Net other post-employment benefit obligation | | 859,274 |
| **Net cash used for operating activities** | $ | (7,386,269) |

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

## Statement of Financial Position

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 176,808 |
| Investments | 2,577,688 |
| Pledges receivable | 50,826 |
| **Total assets** | 2,805,322 |
| **Liabilities** | |
| Grants payable | - |
| **Total liabilities** | - |
| **Net assets** | |
| Without donor restrictions | 557,066 |
| With donor restrictions | 2,248,256 |
| **Total liabilities and net assets** | $ 2,805,322 |

## Statement of Activities

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and support** | | | |
| Contributions | $ 21,589 | $ 1,122,291 | $ 1,143,880 |
| Contributed wages | 57,231 | - | 57,231 |
| Investment return, net | 68,335 | 222,250 | 290,585 |
| Net assets released from restrictions | 1,139,187 | (1,139,187) | - |
| **Total revenues and support** | 1,286,342 | 205,354 | 1,491,696 |
| **Expenses** | | | |
| Program | 1,191,308 | - | 1,191,308 |
| Management and general | 73,979 | - | 73,979 |
| Fundraising | 63,301 | - | 63,301 |
| **Total expenses** | 1,328,588 | - | 1,328,588 |
| **Change in net assets** | (42,246) | 205,354 | 163,108 |
| **Net assets** | | | |
| Net assets - beginning of year | 599,312 | 2,042,902 | 2,642,214 |
| Net assets - end of year | $ 557,066 | $ 2,248,256 | $ 2,805,322 |

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

## 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" now known as CT State Community College) and Charter Oak State College ("COSC" or "College") under the 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 six separate institutions including four state universities, CT State Community College and COSC. 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, Charter Oak State College Foundation.

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

- The statement of net position presents information on all COSC's assets, liabilities, deferred outflows and inflows, and net position.
- The statement of revenues, expenses and changes in net position presents 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.
- 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.

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 discretely presented 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 information for purposes of inclusion in COSC's financial statements herein.

**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 Activities of the component unit presents 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 statement 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, cash equivalents and investments presented as short-term in the statement 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, 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 Capital Assets**
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. Land, capitalized collections, and construction in progress are not depreciated. Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

Right-of-Use ("ROU") assets are recognized at the lease commencement date and represent COSC's right to use an underlying asset for the lease term. ROU subscription assets are recognized at the agreement's commencement date and represent COSC's right to use an underlying asset for the agreement term. ROU assets are measured at the initial value of the liability plus any payments made at or before commencement and initial direct costs. Amortization for ROU intangible assets are computed using the straight-line method over the shorter of the contract term or estimated useful lives of the assets; but if the underlying lease contains a purchase option determined to be reasonably certain of being exercised, the ROU intangible asset is amortized over the estimated useful life of the asset.

**Accrued Compensated Absences ("ACA")**
Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statement of net position reflects 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 portion of the State's 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 scholarships, waivers and allowances 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 statement 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 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.

**Subscription Liabilities**
Subscription liabilities represent COSC's obligation to make payments to the vendor, measured at the present value of subscription payments over the remaining term. Subscription liabilities are recognized at the Subscription-Based Information Technology Arrangements ("SBITA") commencement date based upon the present value of future subscription payments over the remaining SBITA term. Short term subscription liabilities, those with a maximum period of 12 months (or less), are expensed as incurred.

**GASB Pronouncements Effective in the Future Years**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management is evaluating the impact of adoption of this standard.

### Subsequent Events

In accordance with generally accepted accounting principles, COSC has evaluated subsequent events for the period after June 30, 2024, through February XX, 2025, the date the financial statements were issued, noting no material events.

## 2. Cash and Cash Equivalents

Cash and cash equivalents are 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 the participants 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, 2024 was 5.43%. 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 were invested in the STIF and the State's pooled, interest credit program accounts as of June 30.

*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:

| | 2024 |
|---|---|
| Student accounts receivable | $ 758,285 |
| Other receivables | 8,569 |
| Gross accounts receivable | 766,854 |
| Less: allowance for doubtful accounts | (251,260) |
| Accounts receivable, net | $ 515,594 |

### 4. Capital Assets

Capital Asset activity for the year ended June 30, 2024 is as follows:

| | Estimated Life (in years) | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|---|
| Capitals assets, not depreciated: | | | | | |
| Art | | $ 15,000 | $ - | $ (15,000) | $ - |
| Land | | - | 93,296 | - | 93,296 |
| Total non depreciable | | 15,000 | 93,296 | (15,000) | 93,296 |
| Capital assets, depreciable | | | | | |
| Buildings and improvements | 10-40 | 2,508,961 | 6,930,705 | (2,508,961) | 6,930,705 |
| Furnishings and equipment | 5 | 1,867,677 | 1,866,871 | (1,913,695) | 1,820,853 |
| Software | 5 | 432,976 | - | (432,976) | - |
| Subscription assets | Life of contract | 298,770 | 358,432 | - | 657,202 |
| Total depreciable assets | | 5,108,384 | 9,156,008 | (4,855,632) | 9,408,760 |
| Total capital assets | | 5,123,384 | 9,249,304 | (4,870,632) | 9,502,056 |
| Less: accumulated depreciation and amortization: | | | | | |
| Buildings and improvements | | 1,609,614 | 1,301,234 | (1,609,614) | 1,301,234 |
| Furnishings and equipment | | 1,725,397 | 411,478 | (1,791,602) | 345,273 |
| Software | | 432,976 | - | (432,976) | - |
| Subscription assets | | 69,240 | 117,545 | (9,733) | 177,052 |
| Total accumulated depreciation and amortization | | 3,837,227 | 1,830,257 | (3,843,925) | 1,823,559 |
| Construction in progress | | 6,280,898 | - | (6,280,898) | - |
| Capital assets, net | | $ 7,567,055 | $ 7,419,047 | $ (7,307,605) | $ 7,678,497 |

During the fiscal year, COSC participated in an exchange of buildings with Central Connecticut State University ("CCSU") another agency of the State of Connecticut in addition to being a school within the CSCU system and related party to COSC. The building transferred from COSC is located at 55 Paul Manafort Senior Drive whereas the building and land received by COSC is located at 185 Main Street; both within the City of New Britain, Connecticut.

| | 55 Paul Manafort Senior Drive | 185 Main Street |
|---|---|---|
| Original Cost | $ 2,223,963 | $ 1,599,117 |
| Accumulated Depreciation | (1,347,825) | (1,029,990) |
| Net Book Value | $ 876,138 | $ 569,127 |

This exchange of buildings resulted in a loss of $307,011, calculated as the difference between the net book value of the building transferred and the net book value of the building and land received. This loss has been recognized as an other change in net position within the statement of revenues, expenses and changes in net position as part of the loss on transfer or disposal of assets line item. The exchange was conducted to expand the administrative and academic office space of COSC to better align with its operational needs.

## 5. Accrued Compensated Absences

Accrued compensated absences at June 30, 2024 consist of:

| | Current | Non Current | Total |
|---|---|---|---|
| Vacation | $ 712,596 | $ 826,298 | $ 1,538,894 |
| Sick | 95,306 | 254,663 | 349,969 |
| | $ 807,902 | $ 1,080,961 | $ 1,888,863 |

Activity for accrued compensated absences for the year ended June 30, includes:

| | |
|---|---|
| Balance as of June 30, 2023 | $ 1,622,712 |
| Additions during the fiscal year | 1,093,696 |
| Benefits paid to employees during the fiscal year | (827,545) |
| Balance as of June 30, 2024 | $ 1,888,863 |

These accruals represent estimated amounts earned by all eligible employees through June 30, 2024. The ACA will be settled over several 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 and employee retirement eligibility.

## 6. Related Parties

The accompanying statement of net position includes balances among related parties. Cash and Cash equivalents are additionally held by the State Treasurer on behalf of COSC.

Retirement related fringe benefit costs for CSCU employees are paid for by the State of Connecticut Comptroller’s Office.

Included in personnel services and fees are amounts paid by COSC to CSCU that represent allocations for system office leadership personnel and shared services for human resources and payroll.

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 2024.

## 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, 2024. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances as of June 30, 2024 were not material.

## 8. Unearned Revenue

Unearned revenues for the year ended June 30, 2024 amounted to $889,070 and represent tuition and fees that have been collected as of June 30 but are applicable to classes held thereafter.

## 9. 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 the Teachers Retirement System ("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 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 ARP 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. These contributions are paid directly by the State of Connecticut Comptroller's office.

*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, 2024 was measured and valued as of June 30, 2023 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 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, 2023.

All SERS 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, 2023 for SERS was $19.5 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 2023 measurement year was determined using the following actuarial assumptions, applied to all periods:

| | |
|---|---|
| *Inflation* | *2.5%* |
| *Salary increases including inflation* | *3% - 11.5%* |
| *Investment rate of return, net of expense, including inflation* | *6.9%* |

Assumed rates of mortality have been revised to the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale. The actuarial assumptions used in the June 30, 2023 valuation (which was the basis for recording the June 30, 2024 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2020.

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 2023 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 6.8% |
| Public Credit | 2.0% | 2.9% |
| Core Fixed Income | 13.0% | 0.4% |
| Liquidity Fund | 1.0% | -0.4% |
| Risk Mitigation | 5.0% | 0.1% |
| Private Equity | 15.0% | 11.2% |
| Private Credit | 10.0% | 6.1% |
| Real Estate | 10.0% | 6.2% |
| Infrastructure and Natural Resources | 7.0% | 7.7% |
| | 100.0% | |

*Discount Rate for SERS:*

The discount rate used to measure the total pension liability was 6.9% in the 2023 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%)* |
|---|---|---|
| *$19,594,526* | *$15,786,792* | *$12,612,624* |

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

For the year ended June 30, 2023, COSC recognized pension expense of $1,169,033. A schedule of deferred outflows and inflows of resources as of June 30, 2024 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:

| Fiscal Year Ending June 30, | SERS | TRS | Total |
|---|---|---|---|
| 2025 | $ (366,861) | $ 29,666 | $ (337,195) |
| 2026 | (745,799) | 26,634 | (719,165) |
| 2027 | (881,109) | 22,700 | (858,409) |
| 2028 | (572,111) | 18,766 | (553,345) |
| 2029 | (73,316) | 12,439 | (60,877) |
| Thereafter | - | 2,845 | 2,845 |
| Total | $(2,639,196) | $ 113,050 | $(2,526,146) |

## 10. 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.

CSCU

*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% 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. The best estimates of rates of return for each major asset class as of the 2023 measurement date are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 37.0% | 6.8% |
| Public Credit | 2.0% | 2.9% |
| Core Fixed Income | 13.0% | 0.4% |
| Liquidity Fund | 1.0% | -0.4% |
| Risk Mitigation | 5.0% | 0.1% |
| Private Equity | 15.0% | 11.2% |
| Private Credit | 10.0% | 6.1% |
| Real Estate | 10.0% | 6.2% |
| Infrastructure and Natural Resources | 7.0% | 7.7% |
| | 100.0% | |

*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, 2024 was measured and valued as of June 30, 2023 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, 2023 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, 2023 for SEOPEBP was $25,444,694.

*Actuarial Assumptions:*

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

| | |
|---|---|
| Inflation | 2.5% |
| Payroll growth rate | 3% |
| Salary increases | 3% to 11.5% varying by years of service/plan |
| Discount rate | 6.90% contributory and 3.65% non-contributory members as of June 30, 2023 |
| Healthcare cost trend rates: | |
| Medical (non-Medicare) | -0.35%, then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year |
| Prescription drug (non-Medicare) | 2.35%, then 6.50% decreasing by 0.25% each year to an ultimate level of 4.50% pear year |
| Medical and Prescription Drug (Medicare) | 32.51%. 59.22%, 28.24% then 5.75% decreasing by 0.25% each year to an ultimatle level of 4.50% per year |
| Dental | 2.60%, 4.45%, then an ultimate level of 3.00% per year |
| Part B | 4.5% per year |
| Administrative expense | 1.85%, 3.30% then 3.00% per year |

**Mortality Rates**

| | |
|---|---|
| Pre-Retirement: | Pub-2010 General, Above-Median, Employee Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Healthy Annuitant: | Pub-2010 General, Above-Median, Healthy Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Disabled Annuitant: | Pub-2010 General, Disabled Retiree Employee Headcount-weighted Mortality Table projected generationally using Scale MP-2020 |
| Contingent Annuitant: | Pub-2010 General, Above-Median, Contingent Annuitant Headcount weighted Mortality Table projected generationally using Scale MP-2020 |

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 (5.90%) | Current Discount (6.90%) | 1% Increase (7.90%) |
|---|---|---|
| $29,583,271 | $25,444,694 | $22,056,000 |

Healthcare cost trend rate sensitivity:

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|
| $22,024,910 | $25,444,694 | $29,641,996 |

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

For the year ended June 30, 2024, COSC recognized OPEB expense of $858,274. A schedule of deferred outflows and inflows of resources as of June 30, 2024 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 OPEB expense during the next five years is as follows:

| Fiscal Years Ending June 30, | | OPEB |
|---|---|---|
| 2025 | $ | (1,835,259) |
| 2026 | | (2,493,222) |
| 2027 | | (1,274,698) |
| 2028 | | 83,992 |
| 2029 | | 52,421 |
| Thereafter | | - |
| Total | $ | (5,466,766) |

## 11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

| | Salary | Fringe | Supplies & Services | Student Aid | Depreciation & Amortization | Total |
|---|---|---|---|---|---|---|
| Depreciation/Amortization | $ - | $ - | $ - | $ - | $ 790,471 | $ 790,471 |
| Physical Plant | - | - | 293,602 | - | - | 293,602 |
| Institutional Support | 3,825,016 | 1,945,277 | 2,137,967 | - | - | 7,908,260 |
| Scholarship Aid, Net | - | - | - | 1,141,417 | - | 1,141,417 |
| Student Services | 2,170,891 | 1,058,236 | 255,549 | - | - | 3,484,676 |
| Academic Support | 1,244,961 | 595,154 | 170,863 | - | - | 2,010,978 |
| Instruction | 4,026,617 | 1,088,506 | 40,338 | - | - | 5,155,461 |
| Total operating expenses | $ 11,267,485 | $ 4,687,173 | $ 2,898,319 | $ 1,141,417 | $ 790,471 | $ 20,784,865 |

CSCU

## 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, 2024 (in thousands):

| | SERS | TRS | **Total Pension** | OPEB | **Total Deferred** |
|---|---|---|---|---|---|
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Difference between expected and actual experience | $1,650,432 | $ - | **$1,650,432** | $ 265,808 | **$ 1,916,240** |
| Changes of assumptions or other inputs | - | - | **-** | 2,175,589 | **2,175,589** |
| Net difference between projected and actual earnings on pension plan investments | 300,245 | - | **300,245** | 159,574 | **459,819** |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,575,448 | 113,050 | **1,688,498** | 1,765,920 | **3,454,418** |
| Employer contributions after measurement date | - | - | - | - | - |
| Total | $3,526,125 | $ 113,050 | **$3,639,175** | $4,366,891 | **$ 8,006,066** |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Difference between expected and actual experience | $ - | $ - | **$ -** | $1,738,958 | **$ 1,738,958** |
| Changes of assumptions or other inputs | 16,048 | - | **16,048** | 7,828,580 | **7,844,628** |
| Net difference between projected and actual earnings on investments | - | - | - | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 6,149,273 | - | **6,149,273** | 266,119 | **$ 6,415,392** |
| Total | $6,165,321 | $ - | **$6,165,321** | $9,833,657 | **$15,998,978** |

## 14. Subscription-Based Information Technology Arrangements

COSC entered into various SBITAs that convey COSC's control of the right to use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. Of these SBITAs, some agreements call for payments that are partially or completely variable and therefore were not included in ROU subscription assets or subscription liabilities. These variable payments are derived from a number of licenses that changes from time to time, use of the IT asset, or changes in index rates. COSC recognized a total of $225,765 as expenses from these variable payments for the year ended June 30, 2024.

Long-term liability activity for the year ended June 30, 2024, is summarized as follows:

| Balance 7/1/23 | Additions | Deletions | Balance 6/30/24 | Amounts due within one year |
|---|---|---|---|---|
| $ 107,591 | $ 422,060 | $ (116,171) | $ 413,480 | $ 98,430 |

The principal and interest expense for the next five years and beyond are projected below for the subscription obligations:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 98,430 | $ 8,481 | $ 106,911 |
| 2026 | 91,969 | 7,410 | 99,379 |
| 2027 | 83,539 | 6,281 | 89,820 |
| 2028 | 33,441 | 5,171 | 38,612 |
| 2029 | 34,552 | 3,972 | 38,524 |
| Thereafter | 71,549 | 4,122 | 75,671 |
| Total Requirements | 413,480 | | |
| Less Current | $ (98,430) | | |
| Non-Current | $ 315,050 | | |

## REQUIRED SUPPLEMENTARY INFORMATION

CSCU

**Schedule of Net Pension Liability and Related Ratios**
**State Employee Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| COSC's proportion of the net pension liability | 0.08% | 0.09% | 0.12% | 0.11% | 0.11% |
| COSC's proportionate share of the net pension liability | $ 15,787 | $ 19,501 | $ 25,776 | $ 25,358 | $ 24,013 |
| COSC's covered payroll | $ 3,173 | $ 3,349 | $ 4,664 | $ 3,926 | $ 3,880 |
| COSC's proportionate share of the net pension liability as a percentage of its covered payroll | 498% | 582% | 553% | 646% | 619% |
| Plan Fiduciary net position as a percentage of the total pension liability | 50.59% | 45.76% | 44.55% | 35.84% | 36.79% |

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| COSC's proportion of the net pension liability | 0.10% | 0.10% | 0.07% | 0.06% | 0.06% |
| COSC's proportionate share of the net pension liability | $ 21,201 | $ 20,753 | $ 15,610 | $ 10,043 | $ 9,130 |
| COSC's covered payroll | $ 3,351 | $ 3,793 | $ 2,529 | $ 2,199 | $ 1,988 |
| COSC's proportionate share of the net pension liability as a percentage of its covered payroll | 633% | 563% | 617% | 457% | 459% |
| Plan Fiduciary net position as a percentage of the total pension liability | 36.25% | 36.25% | 31.69% | 39.23% | 39.54% |

CSCU

**Schedule of Contributions**
**State Employee Retirement System Plan**
Last 10 Fiscal Years
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 2,482 | $ 2,519 | $ 2,166 | $ 1,728 | $ 1,661 |
| Contributions in relation to the contractually required contribution | (2,482) | (2,519) | (2,166) | (1,728) | (1,661) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| COSC's covered payroll | $ 3,173 | $ 3,349 | $ 4,664 | $ 3,926 | $ 3,880 |
| Contributions as a percentage of covered payroll | 78.24% | 75.24% | 46.45% | 44.01% | 42.81% |

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 1,441 | $ 1,519 | $ 1,021 | $ 834 | $ 727 |
| Contributions in relation to the contractually required contribution | (1,441) | (1,519) | (1,021) | (834) | (723) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ 4 |
| COSC's covered payroll | $ 3,351 | $ 3,793 | $ 2,529 | $ 2,199 | $ 1,988 |
| Contributions as a percentage of covered payroll | 42.10% | 40.05% | 40.36% | 37.91% | 36.38% |

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

For the June 30, 2024 valuation, there were no changes to assumptions and the following changes to benefit terms were made:

- Legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019

**Schedule of Net Other Post Employment Benefits Liability and Related Ratios**
**Other Post Employment Benefits**
Last 10 Fiscal Years [1]

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| COSC's proportion of the net OPEB liability | 0.16% | 0.15% | 0.15% | 0.15% |
| COSC's proportionate share of the net OPEB liability | $25,444,694 | $23,793,932 | $29,824,661 | $ 36,142,123 |
| COSC's covered-employee payroll | $ 7,937,432 | $ 5,770,603 | $ 5,573,514 | $ 5,750,894 |
| COSC's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 321% | 412% | 535% | 628% |
| Plan Fiduciary net position as a percentage of the total OPEB liability | 14.60% | 12.63% | 10.12% | 6.13% |

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| COSC's proportion of the net OPEB liability | 0.16% | 0.15% | 0.12% | 0.13% |
| COSC's proportionate share of the net OPEB liability | $32,666,738 | $25,570,473 | $25,846,053 | $ 27,927,904 |
| COSC's covered-employee payroll | $ 5,716,228 | $ 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 | 571% | 446% | 427% | 453% |
| Plan Fiduciary net position as a percentage of the total OPEB liability | 5.40% | 4.69% | 3.03% | 1.94% |

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

CSCU

**Schedule of Contributions**
**Other Post Employment Benefits**
Last 10 Fiscal Years [1]

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Contractually required contribution | 1,387,369 | 1,301,799 | 1,325,821 | 1,331,438 |
| Contributions in relation to the contractually required contribution | (1,387,369) | (1,301,799) | (1,325,821) | (1,331,438) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered-employee payroll | 7,937,432 | 5,770,603 | 5,573,514 | 5,750,894 |
| Contributions as a percentage of covered employee payroll | 17.48% | 22.56% | 23.79% | 23.15% |

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Contractually required contribution | 1,189,231 | 1,187,694 | 1,000,421 | 985,748 |
| Contributions in relation to the contractually required contribution | (1,189,231) | (1,187,694) | (1,000,421) | (985,748) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered-employee payroll | 5,716,228 | 5,739,353 | 6,053,317 | 6,171,250 |
| Contributions as a percentage of covered employee payroll | 20.80% | 20.69% | 16.53% | 15.97% |

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

CSCU

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

For the June 30, 2024 valuation, there were no changes of benefit terms, and the following assumptions were updated:

- The discount rate was updated to 6.90% for contributory members and 3.65% for non-contributory members.
- The per capita health costs, administrative expenses and retiree contributions were updated for recent experience.
- The actuarial factors used to estimate individual retiree and spouse costs by age and gender were updated.
- The health care cost trend rates and the retiree contribution increase rates were revised to reflect current experience and future expectations.
- The Medicare prescription drug trend rates were updated to reflect an estimate for the impact of the Inflation Reduction Act.

# Connecticut State Colleges and Universities System

## Schedule of CSCU 2020 Construction Expenditures-
## Cash Basis
## and Independent Auditors' Report

## June 30, 2024

**Connecticut State Colleges and Universities System**

Index

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the audited the expenditures paid during the year ended June 30, 2024 as reported in the Schedule of the CSCU 2020 Construction Expenditures – Cash Basis (the "Schedule") of Connecticut State Colleges and Universities System (the "CSCU System") and the related notes to the Schedule.

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, 2024 in conformity with the cash basis of accounting.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the construction expenditures section of our report. We are required to be independent of the Connecticut State Colleges and Universities System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to out audit, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Accounting

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

### Emphasis of Matter

We have not audited the expenditures paid during the period from July 1, 2008 through June 30, 2023, and, accordingly, we express no opinion or other assurance with respect to these amounts. Annual expenditures for prior years through June 30, 2023 were previously audited by other auditors dated December 20, 2023 with an unmodified opinion. Our opinion on cash paid for construction expenditures for the year ended June 30, 2024 is not modified with respect to this item.

### Responsibilities of Management of the Schedule

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.

**Auditors' Responsibilities for the Audit of the Schedule**

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 Connecticut State Colleges and Universities System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**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 theses specified parties.



Hartford, Connecticut
February 24, 2025

# Connecticut State Colleges and Universities System

## Schedule of CSCU 2020 Construction Expenditures – Cash Basis
## June 30, 2024

| | Approved Budget as of June 30, 2024 | Expenditures paid in the year ended June 30, 2024 | Recommended adjustments | Adjusted expenditures paid in the year ended June 30, 2024 | Expenditures paid during the period from July 1, 2018 through June 30, 2023 | Expenditures paid during the period from July 1, 2008 through June 30, 2018 | Total adjusted expenditures through June 30, 2024 |
|---|---|---|---|---|---|---|---|
| **Eastern Connecticut State University** | | | | | | | |
| Fine Arts Instructional Center (design and construction) | $ 85,461,643 | $ - | $ - | $ - | $ 812,731 | $ 80,842,310 | $ 81,655,041 |
| Goddard Hall Renovations | 32,951,000 | 68,479 | - | 68,479 | 15,503,576 | 13,741,187 | 29,313,242 |
| Code Compliance/Infrastructure | 15,433,505 | 3,373,261 | - | 3,373,261 | 6,031,303 | 15,914,698 | 25,319,262 |
| Athletic Support Building | 1,777,153 | - | - | - | - | 1,918,873 | 1,918,873 |
| Outdoor Track- Phase II | 1,629,152 | - | - | - | - | 1,637,648 | 1,637,648 |
| New Warehouse | 1,886,660 | - | - | - | - | 1,860,007 | 1,860,007 |
| **Western Connecticut State University** | | | | | | | |
| Fine Arts Instructional Center | 84,226,596 | - | - | - | 282,265 | 83,178,467 | 83,460,732 |
| Higgins Hall Renovations | 34,576,000 | 1,483 | - | 1,483 | 37,038,229 | 2,199,128 | 39,238,840 |
| Code Compliance/Infrastructure | 17,734,734 | 1,010,232 | - | 1,010,232 | 8,230,858 | 14,160,124 | 23,401,214 |
| Alt Improvments | - | - | - | - | 6,100 | - | 6,100 |
| Newbury Hall Wellness Center Additions | - | - | - | - | 1,335,930 | - | 1,335,930 |
| University Police Department Building | 6,445,000 | - | - | - | 8,589 | 5,917,041 | 5,925,630 |
| **Central Connecticut State University** | | | | | | | |
| Willard & DiLoreto Hall | 61,085,000 | - | - | - | 25,679,131 | 33,740,430 | 59,419,561 |
| Kaiser Hall Bubble Additions and Renovations | 25,385,809 | 156,551 | - | 156,551 | 18,710,969 | 4,395,711 | 23,263,231 |
| Barnard Hall Additions and Renovations | 22,973,045 | 13,001 | - | 13,001 | 21,666,962 | 1,364,061 | 23,044,024 |
| New Engineering Building | 62,700,000 | 2,910,366 | - | 2,910,366 | 56,343,560 | 3,313,863 | 62,567,789 |
| Code Compliance/Infrastructure Improvements | 24,364,321 | 2,368,813 | - | 2,368,813 | 7,310,562 | 25,771,596 | 35,450,971 |
| New Classroom Office Building | 29,045,113 | - | - | - | - | 29,109,582 | 29,109,582 |
| New Maintenance/ Salt Shed Facility | 2,256,157 | - | - | - | - | 2,233,317 | 2,233,317 |
| Burritt Library Design & Expansion/ Rennovation | 16,500,000 | 11,596,649 | - | 11,596,649 | 3,065,394 | - | 14,662,043 |
| Copernicus Backfill | - | 335,345 | - | 335,345 | - | - | 335,345 |
| **Southern Connecticut State University** | | | | | | | |
| New Academic Building | 72,115,000 | - | - | - | 259,141 | 69,283,846 | 69,542,987 |
| Health and Human Services Building | 76,507,344 | 1,224,051 | - | 1,224,051 | 63,638,538 | 1,173,084 | 66,035,673 |
| School of Business | 52,476,933 | 2,127,785 | - | 2,127,785 | 43,402,867 | - | 45,530,652 |
| Code Compliance/Infrastructure Improvements | 25,899,406 | 120,584 | - | 120,584 | 3,638,366 | 28,765,832 | 32,524,782 |
| Buley Library | 17,436,817 | 2,240 | - | 2,240 | - | 17,436,816 | 17,439,056 |
| **Asnuntuck Community College** | | | | | | | |
| New Manufacturing Center | 25,500,000 | - | - | - | 2,642,814 | 20,809,260 | 23,452,074 |
| **Charter Oak State College** | | | | | | | |
| 185 Main Street Relocation Project | - | 69,968 | - | 69,968 | - | - | 69,968 |
| **Various Community Colleges** | | | | | | | |
| Code Compliance/Infrastructure Improvements | 48,557,000 | 12,683 | - | 12,683 | 7,556,921 | 19,369,023 | 26,938,627 |
| **Connecticut State University Systems Office** | | | | | | | |
| System-wide Telecom Infrastructure Upgrades | 18,415,000 | - | - | - | 1,955,801 | 16,289,396 | 18,245,197 |
| Consolidation Updated | 20,000,000 | - | - | - | 8,437 | 17,555,587 | 17,564,024 |
| CSUS/CCC Master Plan | 3,000,000 | 33,677 | - | 33,677 | 21,701 | 3,217,583 | 3,272,961 |
| System-Wide New & Replacement Equipment Program | 103,239,000 | 2,396,263 | - | 2,396,263 | 14,911,442 | 84,675,622 | 101,983,327 |
| Land and Property | 10,250,190 | - | - | - | - | 3,755,088 | 3,755,088 |
| Professional Fees | - | 33,326 | - | 33,326 | - | 226,890 | 260,216 |
| CSUS Auxiliary Funded Alterations/Improvements | 53,672,422 | 1,789,837 | - | 1,789,837 | 8,186,147 | 28,195,348 | 38,171,332 |
| Supplemental Project Funding | 16,000,000 | - | - | - | - | - | - |
| | $ 1,069,500,000 | $ 29,644,594 | $ - | $ 29,644,594 | $ 348,248,334 | $ 632,051,418 | $ 1,009,944,346 |



The accompanying notes are an integral part of this Schedule.

# Notes to the Schedule of CSCU 2020 Construction Expenditures – Cash Basis
# June 30, 2024

## 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. An additional $16,000,000 of supplemental project funding was also issued. 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 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 then when 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 Statue Section 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.

**Note 2- Summary of significant accounting policies - continued**

**Approved budget**
The approved budget amounts are 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, 2024**
Expenditures paid in year ended June 30, 2024 represent expenditures that were paid on CSCU 2020 projects during the fiscal year ended June 30, 2024.

**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, 2024**
Adjusted expenditures paid in the year ended June 30, 2024 include expenditures that were paid on CSCU 2020 projects during the fiscal year ended June 30, 2024 plus (or minus) the recommended adjustments.

**Expenditures paid during the period from July 1, 2018 through June 30, 2023**
Expenditures paid during the period from July 1, 2018 through June 30, 2023 represent expenditures that were paid on CSCU 2020 projects during the period from July 1, 2018 through June 30, 2023.

**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, 2024**
Total adjusted expenditures through June 30, 2024 represent expenditures that were paid on CSCU 2020 projects from the inception of the projects through June 30, 2024.

**Subsequent events**
In preparing the Schedule, management has evaluated subsequent events through February 24, 2025, 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.

February 24, 2025

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, 2024 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 we will issue our report thereon dated February 24, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 23, 2024. Professional standards also require that we communicate to you the following information related to our audit.



Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

You are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CSCU System are described in Note 2 to the Schedule. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the CSCU System during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedule in the proper period.

Accounting estimates are an integral part of the Schedule and are based on your knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the Schedule and because of the possibility that future events affecting them may differ significantly from those expected.

The Schedule disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedule or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Other Matters

This information is intended solely for the use of management, the Board of Regents and Audit Committee of CSCU System and is not intended to be, and should not be, used by anyone other than these specified parties.