



MEETING OF THE AUDIT COMMITTEE

Wednesday, December 16, 2020 at 10:00 am
Conducted Via Remote Participation

Call-in toll-free number: 1-877-668-4493
Meeting number (access code): 120 610 9742

[Join meeting](#)

AGENDA

1. Approval of September 29, 2020 Minutes
2. Update on audits of the Auditors of Public Accounts Audit Reports (M. Cruanes)
3. Year End Audit and Discussion
 - a. Report by Management (B. Barnes/M.Cruanes)
 - b. Report by Grant Thornton (C. Esten, Partner)
 - i. Required Communications
 - ii. Draft Connecticut State Universities June 30, 2020 Financial Statements
 - iii. Draft Connecticut Community Colleges June 30, 2020 Financial Statements
 - iv. Draft Charter Oak State College June 30, 2020 Financial Statements
4. Audit, Accounting, and Management Advisory Services RFP Committee Recommendation (B. Barnes) - **Committee Vote required to Accept the Recommendation**
5. Executive Session (if required)

Adjournment

Audit Committee Members:
Elease E. Wright, Chair
Aviva D. Budd
JoAnn Ryan

BOARD OF REGENTS FOR HIGHER EDUCATION AUDIT COMMITTEE

**Tuesday, September 29, 2020 @10:00 a.m.
Via WebEx Remote Participation**

COMMITTEE MEMBERS PARTICIPATING (via WebEx remote participation)

Elease Wright, Chair
Aviva Budd
JoAnn Ryan

Staff Present (via WebEx remote participation)

Ben Barnes, Melinda Cruanes, Michael Moriarty, Ernestine Weaver, Shannon Walsh,
Pamela Coleman, Pamela Heleen

Guests

Carolyn Kurth – CohnReznick; Claire Esten, Chris Bradford, Matt McCormick, Dave
Stofel, Matt Thompson - Grant Thornton; Krystal Czapek

CALL TO ORDER

With a quorum present, Chairman Wright called the meeting to order at 10:04 a.m.

APPROVAL OF MINUTES FROM THE JUNE 2, 2020 MEETING

On motion of Regent Ryan, seconded by Chairman Wright, the minutes of the June 2, 2020 meeting were unanimously approved.

- **APA Audit Reports Update**

Shannon Walsh provided a summary of the audits that were conducted by the Connecticut Auditors of Public Accounts for the institutions. The completed audit reports addressed at the last Audit Committee meeting for the Community Colleges for FY2016 and FY2017 are expected to be finalized and published in the near future. With respect to the universities, an audit is currently being conducted for FY2018 through FY2020 with their new engagement letter. The audit report for Western Connecticut State University for FY2016 and FY2017, cited no key findings of concern. The lack of documentation for certain internal controls was noted with a recommendation that the university improve said controls and compliance with internal

policies and procedures. A similar report was published for Central Connecticut State University for FY2017. Charter Oak State College audit report for FY2017 through FY2018 key findings noted general suggestions to ensure most efficient use of resources and compliance with State policies and procedures. The control concerns, although vague, have been addressed and the colleges and universities are working to tighten up the controls. Many of the findings noted in the preliminary reports have been removed from the published reports.

- **Status of Audits and Year-end Financial Statements**

Melinda Cruanes, Controller, provided an overview of the audits and financial statements. The fiscal year closed smoothly without incidences. The colleges were delayed by two weeks from the expected deadline. The financial statement and audit preparations were ahead of last year. The 2020 Bond audit field work is completed. The fieldwork and timeline of deliverables were timely and progressed well. The university fieldwork is currently underway with visits at Eastern and Southern completed. Central and Western are expected to be done by the end of the week. Field work for Charter Oak State College is slated to begin October 19th as well for the System Office on October 26.

The foundation financial statements are due to be submitted from the colleges and universities tomorrow. The foundation statements are included as a component unit in the overall financial statements. We are also working closely with Great Path Academy in order to keep the audit request on track due to this component unit being included in the financial statement. All draft financial statements are on track to be presented at the December 16 Audit Committee meeting for review and recommendation to the full Board.

The Great Path Academy contract was rewritten and approved by the Hartford Board. Effective July 1, 2020, the rewritten contract made the relationship between the two entities more clearly defined. This will enable the magnet school to be removed as a separate component unit in the finished statements for FY2021.

All three firms statement audits are out for bid for the performing of audit services beginning FY2021. Proposals are due by October 1.

- **CSCU 2020 Draft Audit Report By CohnReznick**

Carolyn Kurtz, CohnReznick LLP, reported on the audited expenditures paid during the years ended June 30, 2020 and June 30, 2019 as reported in the Schedule of CSCU 2020 Construction Expenditures – Cash Basis. The value of the amount audited this year was just under \$67M in construction spending in comparison with \$95M spent during the report period of June 30, 2019 due to the program being in the final stage. It is the opinion of the auditors that the construction expenditures related to CSCU 2020 construction projects were paid in conformity with the cash basis of accounting.

There was a discussion regarding commitments and what is on hand in the construction budget. At the request of the committee chair, a report will be prepared by CSCU staff outlining the commitments and on-going work.

- **Interim Report by Grant Thornton**

Claire Esten, Partner, Grant Thornton and managers of the firm provided an overview of the status of the Colleges, Universities and System Office audits. Southern and Western year-end audit fieldwork is near completion and has been reviewed with managers and partners. The audit is on track in all areas with no audit adjustments identified to date. Year-end audit fieldwork has begun at Central and Eastern. There are no findings and the audit is on track in all areas. Year-end audit fieldwork is scheduled to begin on October 19 for the System Office and October 26 for the Community Colleges. Legal confirmation requests have been sent to the State Attorney General with a requested response by November 13. An update is expected prior to the December Audit Committee meeting. Charter Oak's audit fieldwork is scheduled to begin on October 19.

With respect to the technology support as part of the audit process, the Universities, System Office and Community Colleges Banner testing is underway with the majority of the requested items being provided with coordinated remote walkthroughs with management. Testing has been completed at Charter Oak with preliminary findings shared with management.

Adjournment

There being no further business, on motion of Regent Budd, seconded by Regent Ryan, the meeting adjourned at 10:40 a.m.

Required Communications to the Audit Committee of the Board of Regents of the Connecticut State Colleges and Universities

Fiscal year ended June 30, 2020

December 16, 2020

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



Open items as of December 11, 2020

All three entities

- Review of revised Financial Statements

Universities

- Engagement Quality Control Reviewer to review Pension/OPEB

CCC

- Finalization of pension/OPEB adjusting entries and reviews of updated workpapers/calculations, and revised APA report
- Manager/Partner Review of State Appropriations, Net Assets, Journal Entries, and GPA
- Audited financial statements for 2 foundations

COSC

- Manager/Partner Review of Journal Entries
- Review of Cash Flow Support

Upon finalization of these items, GT will perform updating inquiries with management prior to issuance of our reports. When we complete the remaining open items, any matters that are required to be communicated to the Audit Committee that have not been communicated at the meeting on December 16, 2020, will be included in an addendum to this document within 40 days of issuance of our reports, if necessary.

Significant risks and other areas of focus

The following provides an overview of the areas of audit focus based on our risk assessments. The audit was executed in accordance with the plan presented to the audit committee in June 2020, except as it relates to the timeline for completion.

Areas of focus	Results
Tuition and Fee Revenues* & related receivables/deferrals	<ul style="list-style-type: none"> • Performed disaggregated revenue analyses analyzing student tuition & fee revenue relative to enrollment data • Performed detailed transaction testing over student tuition & fee revenues • Tested completeness & accuracy of deferred revenue based on academic term in which student was registered & payment received • Performed a statistical sample of outstanding student receivable balances and inspected supporting cash receipts and/or ensured management's reserve/collections policy was being followed • Tested management's process for establishing an allowance for doubtful accounts <p>No exceptions noted</p>
Grant revenue	<ul style="list-style-type: none"> • Tested a selection of grant deferred revenue balances • Performed detailed transaction testing over grant revenue <p>No exceptions noted</p>
Net Pension & OPEB Liabilities (and related deferred inflows/outflows & expense)	<ul style="list-style-type: none"> • Reviewed management's methodology and journal entries to record pension/OPEB liability and related accounting • Reviewed the reports issued by the Auditors of Public Accounts • Performed testing over the census data used by the State to calculate liabilities <p>Refer to Summary of Adjustments for errors identified (pg 6-7)</p>

* - denotes a significant risk

Significant risks and other areas of focus, continued

Areas of focus	Results
State and Capital Appropriations	<ul style="list-style-type: none"> Reconciled amounts to the GL, including confirmation of certain amounts with the State No exceptions noted
Capital Assets	<ul style="list-style-type: none"> Vouched a sample of capitalized amounts to supporting invoice/disbursement detail & analytically reviewed depreciation expense for reasonableness No exceptions noted
Auxiliary revenues	<ul style="list-style-type: none"> Performed detailed transaction testing over auxiliary revenue (room & board, meal plan, other fees) Tested a selection of student receivable balances Reviewed management's allowance for doubtful accounts No exceptions noted
Debt	<ul style="list-style-type: none"> Confirmed amounts outstanding Tested cash activity to source documentation Tested interest expense for reasonableness No exceptions noted

COVID-19 pandemic

Accounting and reporting considerations

The COVID-19 pandemic impacted the operations and financial results of the CSCU entities to varying degrees. The pandemic has had, and will likely continue to have, an ongoing impact in the following accounting and disclosure areas specific to CSCU:

- 1) **Impact of various federal relief programs-** Universities and Community Colleges were eligible to participate in certain federal government relief programs to mitigate the financial impacts of the pandemic. GT performed testing of the CARES Act funding received (Part A- Student portion and Part B- Institution portion). These amounts are presented as non-operating revenues in the Statement of Revenues, Expenses and Changes in Net Position.
- 2) **Disclosures of risks and uncertainties-** Disclosure of risks and uncertainties related to future operations/activities, accounting estimates, and vulnerabilities, among others were included in the draft financial statements. GT reviewed the disclosures for accuracy and transparency.

Use of the Work of Others

Other Auditors

Foundations: GT noted that each of the Foundations at the Universities, Community Colleges, and Charter Oak have separate auditors. In our auditor's report on each entity's financial statements, we make reference to the audits performed by the other unaffiliated auditors. GT notes for 1 of the foundations of CSUS, a prior period error was identified & recorded in the current year. There is a passed adjustment to correct opening Net Position. Refer to the Summary of Adjustments for details (pg 6-7).

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

Specialists

IT— The audit team includes IT specialists who performed design effectiveness testing of Banner for CSUS and CCC as well as Jenzabar at Charter Oak. Results of that aspect of the audits were previously communicated in September 2020.

Summary of Adjustments

	Corrected Misstatements	Uncorrected Misstatements	Disclosure Adjustments	Omitted Disclosures
CSUS	None noted	Yes – see pg 7 for details	None noted	None noted
CCC	Yes – see pg 7 for details	None noted	None noted	None noted
COSC	None noted	None noted	None noted	None noted

Summary of Adjustments (cont.)

Entity	Nature of Adjustment	Commentary
CSUS	Uncorrected	In the audited financial statements of the CCSU Foundation, a correction of a prior period error (\$539k) related to misclassification of net assets was reported. Management of the CCSU Foundation corrected this prior period error through the current period Statement of Activities. This correction should have been corrected through an adjustment to opening net assets rather than through the current period activities. There is no impact to the total change in net assets as a result of this adjustment.
CCC	Corrected	<p>During Grant Thornton's review of the draft financial statements as well as testing of the detailed workpapers supporting the entries to record pension and OPBE related activities and balances, a large fluctuation related to Pension/OPEB expense was deemed unusual, which prompted further investigation. Management discovered a clerical error in a supporting schedule that impacted the calculation, which resulted in an adjustment to the F/S. The adjustment impacts various Pension/OPEB related line items in both the balance sheet and P&L.</p> <ul style="list-style-type: none"> - Impact to F/S line item "Change in Net Position" was ~\$60M. - Zero (\$0) impact to "Adjusted Unrestricted Net Position" (non-GAAP measure presented in MD&A), given adjustment was isolated to accounting for Pension/OPEB.
CCC	Corrected	Management identified a prior period error in which a project that should have been capitalized to CIP was expensed. As a result, CIP & the opening balance of Net Position were adjusted by \$1.4M to correct this error.

Other Required Communications

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

Going concern matters
Fraud and noncompliance with laws and regulations
Significant deficiencies and material weaknesses in internal control over financial reporting <ul style="list-style-type: none">• Refer to page 13
Use of other auditors <ul style="list-style-type: none">• Refer to page 5
Use of internal audit
Related parties and related party transactions <ul style="list-style-type: none">• No transactions outside the ordinary course of business were identified



Other Required Communications

(continued)

Disagreements with management
Management's consultations with other accountants
Significant issues discussed with management
Significant difficulties encountered during the audit
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



Quality of Accounting Practices

Accounting policies

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

Significant accounting estimates

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

Internal control matters

Responsibility

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



Internal control matters (continued)

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 entity'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.

Internal Controls Matters, continued

In our prior year communications, we communicated a material weakness. We have reviewed management's remediation efforts and provided an update for our assessment in the context of the fiscal year 2020 audit.

Findings reported in FY19	Severity of Finding (As Assessed in FY19)	FY20 Update
CCC - Failure to close accounting records & prepare financial statements with accuracy in a timely manner	Material Weakness	Remediated in FY20 - Grant Thornton obtained an understanding of management's policies & procedures put in place to address the prior year Material Weakness. Based on our observation & procedures performed in conjunction with the FY20 audit, we believe management has effectively remediated the prior year control finding.

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.

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



**Connecticut State
Universities**

2020

Financial Statements

INCLUDING

Required Supplementary Information
Additional Supplemental Information

June 30, 2020

Connecticut State Universities Mission Statement

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



**Members of the Board of Regents for Higher Education
(Between 7/1/19 – 6/30/20)**

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

REGENTS AS OF 6/30/20

(Two vacancies: both legislative appointees.)

Matt Fleury, Chair
 Merle W. Harris, Vice Chair
 Richard J. Balducci
 Aviva D. Budd
 Naomi K. Cohen
 Felice Gray-Kemp
 Holly Howerly
 David R. Jimenez
 JoAnn Ryan
 Eleese E. Wright
 Monica Maldonado, SAC, Chair
 Elena Ruiz, Vice Chair of Student Advisory Committee

EX-OFFICIO, NON-VOTING MEMBERS

David Blitz –Chair of the Faculty Advisory Committee
 Colena Sesanker – Vice Chair of the Faculty Advisory Committee
 Kurt Westby – Commissioner of the CT Department of Labor
 Dr. Miguel A. Cardona – Commissioner of the State Department of Education
 David Lehman – Commissioner of Department of Economic and Community Development (joined March 2019)
 Dr. Deidre Gifford - Acting Commissioner CT Dept. of Public Health

EX-OFFICIO, NON-VOTING MEMBERS

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

Former Board members (who served between 7/1/19 – 6/30/20)

Pete Rosa

Renée D. Coleman-Mitchell, Former Commissioner, Department of Public Health



Connecticut State Universities

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

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

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

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

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

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Introduction

Management's Discussion and Analysis provides an overview of the financial position and results of activities of the Connecticut State University System ("CSUS" or "System") and its component units for the fiscal year ended June 30, 2020 and 2019. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Connecticut Community Colleges and Charter Oak State College, effective July 1, 2011. The 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 31,582 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, 2020.

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

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

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

Using the Financial Statements

CSUS's financial report includes the following financial statements: the Statement of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35 established standards for external financial reporting for public colleges and Universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of the System as a whole. As required by GASB Statements No. 34 and 35, fiscal year 2020 and 2019 financial data is presented, both for the CSUS *primary institution*, as well as for certain other organizations that have a significant related party relationship with CSUS (the "component units").

The component units are the CCSU Foundation, Inc., the ECSU Foundation, Inc., the Southern Connecticut State University Foundation, Inc., the Western Connecticut State University Foundation Inc. and the Connecticut State University System Foundation, Inc. (collectively, the "Foundations"). The Foundations are legally independent, tax-exempt non-profit organizations separate from university control, founded to foster and promote the growth, progress and general welfare of the Universities and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Universities' endowments. However, the assets of these component units are not available to CSUS for

use at its discretion. This MD&A discusses the University's financial statements only and not those of its component units.

Financial Highlights

At June 30, 2020, total assets of the System were \$1,795.7 million, a decrease of \$32.9 million or 1.8% over the prior year of \$1,828.6 million, primarily due to a decrease in investments of \$13.8 million, decrease in due from the State of \$10.7 million, and a decrease in cash and cash equivalents of \$12.1 million.

Condensed Statements of Net Position

June 30, 2020 and 2019

(in millions)

	2020	2019	% Change
ASSETS			
Current assets	\$ 387.7	\$ 420.9	(7.9%)
Non-current assets:			
Capital assets, net	1,230.6	1,224.8	0.5%
Other	177.5	182.9	(3.0%)
Total assets	1,795.7	1,828.6	(1.8%)
DEFERRED OUTFLOWS OF RESOURCES	699.3	320.9	117.9%
LIABILITIES			
Current liabilities	150.9	145.7	3.6%
Non-current liabilities	2,822.6	2,294.9	23.0%
Total liabilities	2,973.5	2,440.6	21.8%
DEFERRED INFLOWS OF RESOURCES	138.8	130.6	6.3%
NET POSITION			
Invested in capital assets - net of related debt	1,093.3	1,076.2	1.6%
Restricted nonexpendable	0.5	0.5	(6.6%)
Restricted expendable	24.0	32.6	(26.3%)
Unrestricted	(1,735.1)	(1,531.0)	(13.3%)
Total net position	(617.3)	(421.7)	(46.4%)

Total liabilities at June 30, 2020 of \$2,973.5 million increased by \$532.9 million, which is largely due to the pension and other post-employment benefits liabilities, which increased by \$544.6 million due to a reduction in discount rate, increases due to a change in proportion, and updates to future costs and trends. Bonds payable decreased by \$18.1 million.

At June 30, 2020 total net position, which represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was (\$617.3) million, a decrease of \$195.6 million or 46.4% over fiscal year 2019's net position of (\$421.7) million. This decrease was primarily due to a decrease in deferred outflows related to the pension and OPEB and an increase in deferred inflows related to the pension that resulted in a net decrease of unrestricted net position of (\$204.1) million. Without reflecting the pension and other post-employment benefit liabilities, the total

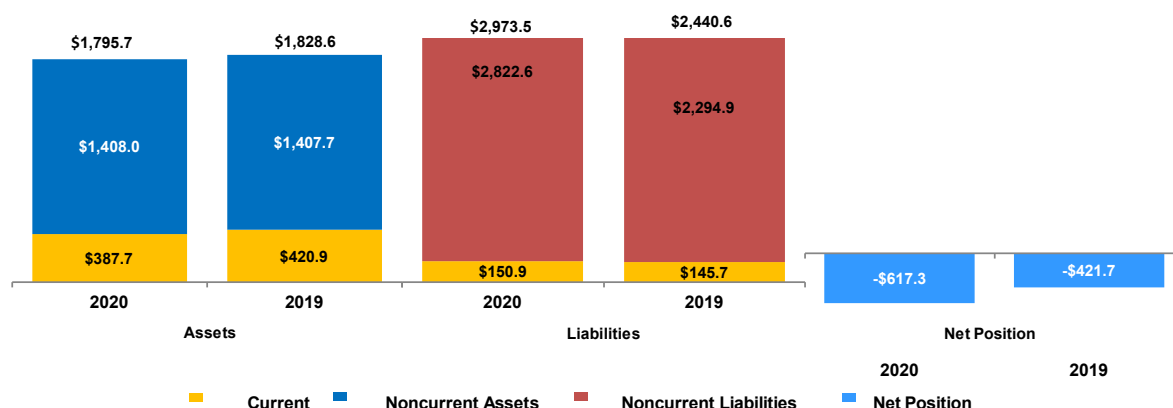
unrestricted net position would be \$118.6 million and 148.5 million, respectively, as of June 30, 2020 and 2019, which is a \$29.9 million decrease year over year. The decrease in unrestricted net position is largely due to room and board refunds that were issued in March 2020 due to the COVID19 pandemic. Please see more information on the results of the pandemic in the Economic Outlook section of the MD&A.

Statement of Net Position

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

Current assets at June 30, 2020 of \$387.7 million decreased by \$33.2 million or 7.9% primarily due to the decrease in investments of \$15.2 million, a decrease in the amounts due from the state of \$10.7 million, and a decrease in cash and cash equivalents of \$7.3 million. The System's current ratio of 2.6:1 at the end of fiscal year 2020 is a decrease from a ratio of 2.9:1 from the prior fiscal year end. The current ratio reflects a financial position sufficient to provide short term liquidity.

FINANCIAL POSITION (in millions of dollars)



Total non-current assets at June 30, 2020, of \$1,408.0 million increased by \$0.4 million primarily due to an increase in capital assets, net, of \$5.7 million offset by a decrease in noncurrent cash and cash equivalents of \$4.8 million.

Current liabilities at June 30, 2020 of \$150.9 million increased by \$5.1 million or 3.6% due to an increase in accrued salaries and benefits payable of \$13.0 million offset by a decrease in accounts payable and due to the state which combined total \$9.3 million.

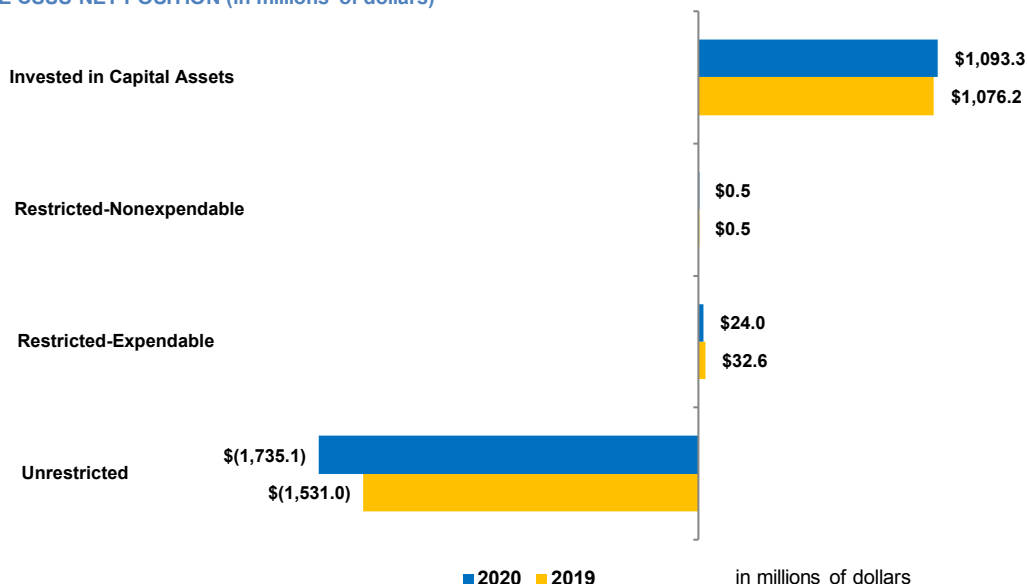
Non-current liabilities at June 30, 2020 of \$2,973.5 million increased by \$539.2 million. This is mainly due to a decrease in bonds payable, net of \$21.2 million offset by an increase in pension liability, net of \$167.4 million and an increase in OPEB, net of \$377.2 million. Pension liabilities represent the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability. Other post-employment benefits liability represents the System's proportionate share of the State's OPEB liability as a whole.

Deferred inflows and outflows of resources are related to future periods. This is primarily related to the impact of recognizing net pension and net OPEB liabilities and refunding of debt. For pension and OPEB net liabilities they reflect differences between projected and actual assumptions and earnings, changes in actuarial assumptions, changes in proportion and differences between contributions and proportionate share of contributions and employer contributions subsequent to the measurement date. The difference

between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources (loss) or deferred inflow of resources (gain).

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

THE CSUS NET POSITION (in millions of dollars)



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

Unrestricted net position (UNP) represents funds available to support CSUS activities and operations at the discretion of the Board of Regents, the President, and the University Presidents. Unrestricted net position is negative due to the System's share of the State's pension plan's net pension liability and OPEB. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the System's reserves are allocated for academic initiatives or programs and for capital and other purposes, including University fee receipts and parking fee receipts that have been designated by Universities to meet debt service obligations. Without reflecting the net pension liability and OPEB, unrestricted net position decreased \$29.9 million from 2019 to 2020. The decrease in unrestricted net position is largely due to room and board refunds as a result of the COVID-19 pandemic. UNP adjusted for net pension liability beginning in FY 2015 and net OPEB liability beginning in FY 2017 is as follows:

	FY15	FY16	FY17	FY18	FY19	FY20
UNP Adjusted:	115.1	136.8	143.1	143.5	148.5	118.6
UNP:	(370.5)	(361.6)	(1,411.9)	(1,462.7)	(1,531.0)	(1,735.1)

At fiscal year end June 30, 2020, the System had an investment in plant assets of \$1,093.3 million, an increase of \$17.1 million or 1.6% over fiscal year end 2019. This increase was primarily due to the increase in buildings and improvements placed in service.

Net Investment in Plant
June 30, 2020 and 2019
(in millions)

	2020	2019	% Change current year
Land	\$ 19.9	\$ 19.9	0.0%
Buildings & improvements	1,838.7	1,746.1	5.3%
Land improvements	107.3	105.8	1.4%
Furniture, Fixtures & Equipment	147.5	148.7	(0.8%)
Library books and materials	25.7	26.6	(3.4%)
Construction in progress	69.9	97.6	(28.4%)
Total investment in plant	2,209.0	2,144.7	3.0%
Less accumulated depreciation	978.4	919.9	6.4%
Investment in plant, net of depreciation	\$ 1,230.6	\$ 1,224.9	0.5%

In November 2007, Governor Rell signed Public Act 07-7, "An Act Authorizing and Adjusting Bonds of the State for Capital Improvements and Transportation Infrastructure Improvements and Concerning the Connecticut State University Infrastructure Act" which authorized \$80 million for CSUS capital projects. The total amount of allocations to CSUS between 1997 and 2017 were \$710.7 million.

Public Act 07-7 also established a \$950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four Connecticut State Universities. This program, known as "CSCU 2020", provided the CSU's with additional flexibility in the allocation of bond funds with allotments approved annually by the Governor. The program was extended into funding year 2021 with a total allotment of \$1,069.5 million as of June 30, 2020. To date, the System has received \$1,069.5 million of the total \$1,069.5 million program total. Fiscal year 2021 is the final year of the CSCU 2020 program with all funding received to date. No other new fiscal year 2020 bond funds are legislatively authorized.

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-fifth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Since we last reported no new Connecticut Health and Educational Facilities Authority ("CHEFA") bond funds have been issued. Total construction funds allotted from the Connecticut Health and Educational Facilities Authority ("CHEFA") revenue bond issues A - Q remains as \$644.6 million.

Through this past year, university projects remaining in the design phase are the new Business School at Southern Connecticut State University and an addition to Burritt Library at Central Connecticut State University. The Burritt Library project is the final CSCU 2020 named project of the program. Projects in construction are Barnard Hall renovations and the new Engineering Building, both at Central, as well as Southern's new Health and Human Services Building. No new projects were completed for occupancy since the last reporting period.

Statement of Revenues, Expenses and Changes in Net Position

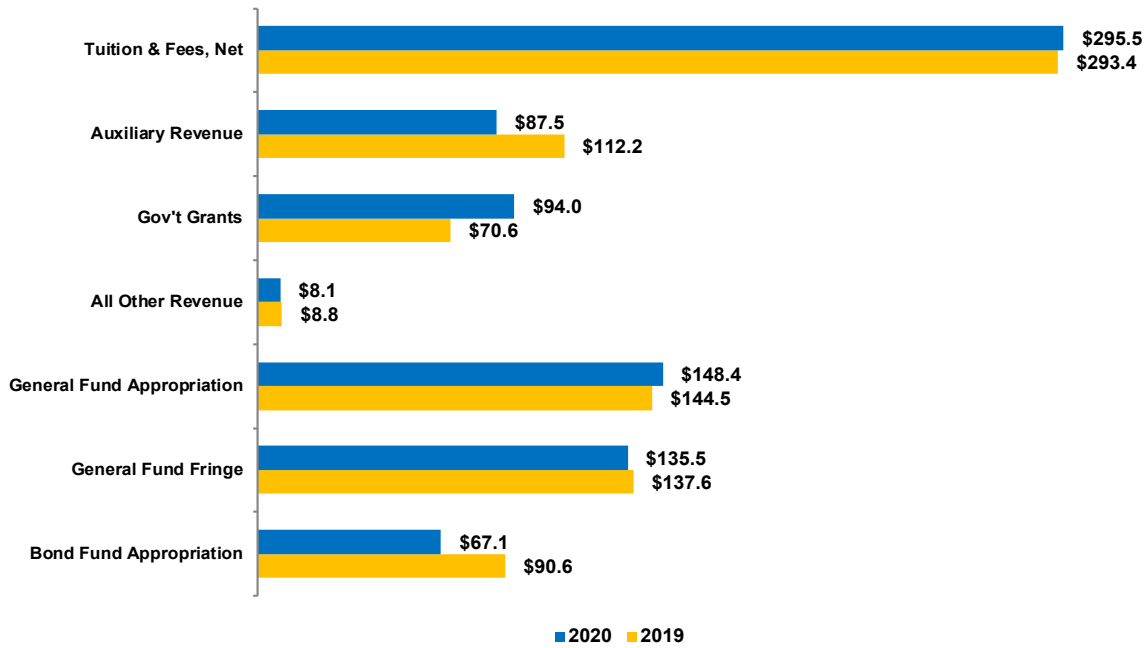
The Statement of Revenues, Expenses and Changes in Net Position presents CSUS' results of operations, as well as the non-operating revenues and expenses.

Condensed Statements of Revenues, Expenses and Changes in Net Position
June 30, 2020 and 2019
(in millions)

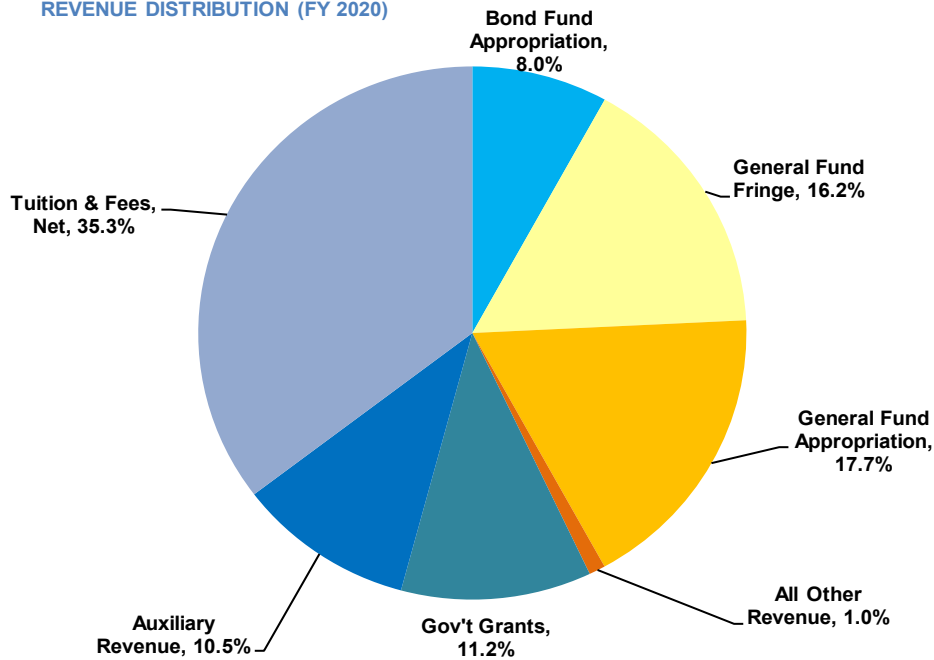
	2020	2019	% Change
OPERATING REVENUES			
Tuition and fees, net	\$ 295.5	\$ 293.4	0.7%
Auxiliary revenues	87.5	112.2	(22.0%)
Grants and indirect cost recoveries	28.0	25.0	11.9%
Other	8.4	7.9	5.8%
Total operating revenues	419.3	438.5	(4.4%)
OPERATING EXPENSES			
Expenses before depreciation and amortization	964.5	830.5	16.1%
Depreciation and amortization	67.2	65.3	2.8%
Total operating expenses	1,031.6	895.8	15.2%
Operating loss	(612.4)	(457.3)	33.9%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund	283.9	282.1	0.6%
State appropriations - bond fund	67.1	90.6	(25.9%)
Pell grant revenue	45.1	45.6	(1.1%)
Federal emergency grant revenue	20.9	-	N/A
Investment income	7.9	11.4	(30.5%)
Other	(8.2)	(10.5)	(21.8%)
Total non-operating revenues (expenses)	416.7	419.2	(0.6%)
NET POSITION			
Change in net position	(195.6)	(38.1)	(413.5%)
Net position, beginning of year	(421.7)	(383.6)	(9.9%)
Net position, end of year	\$ (617.3)	\$ (421.7)	46.4%

In fiscal year 2020, state appropriations of \$351.0 million, representing 41.3% of the System's total net revenues, were \$21.7 million or 5.8% lower than fiscal year 2019. State appropriations are received for both operating and capital purposes. The majority of the State appropriation dollars for operating purposes are used to fund salaries and fringe benefits. In fiscal year 2020, 50.3% of the System's salary and fringe benefit costs were funded from State appropriations. This compares to 53.3% in fiscal year 2019.

REVENUE SUMMARY (in millions of dollars)



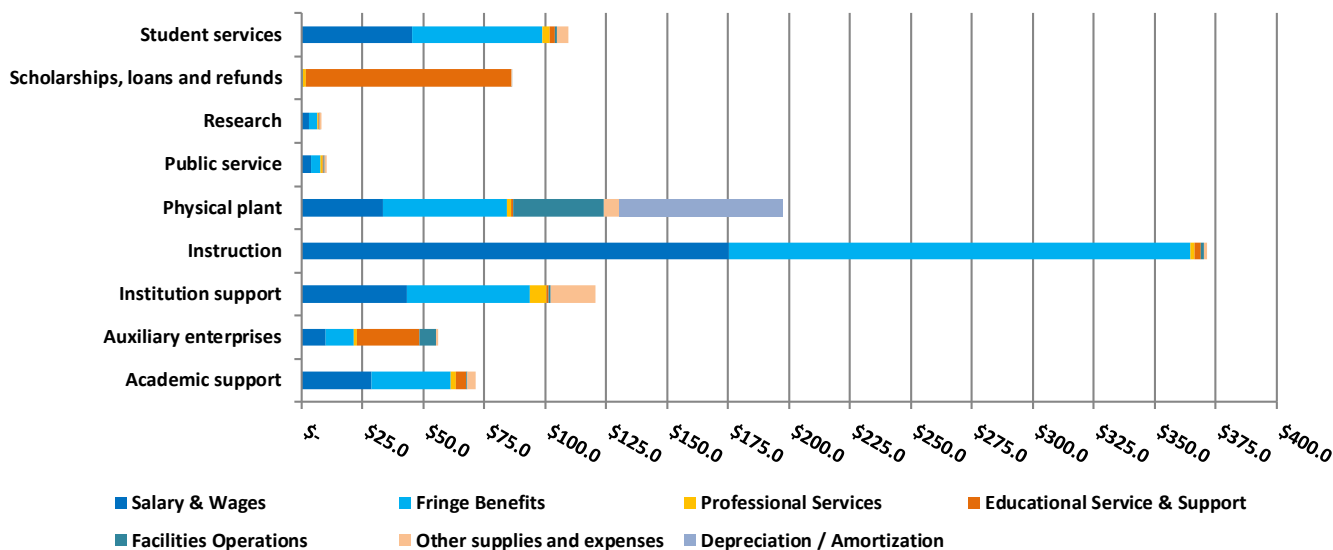
REVENUE DISTRIBUTION (FY 2020)



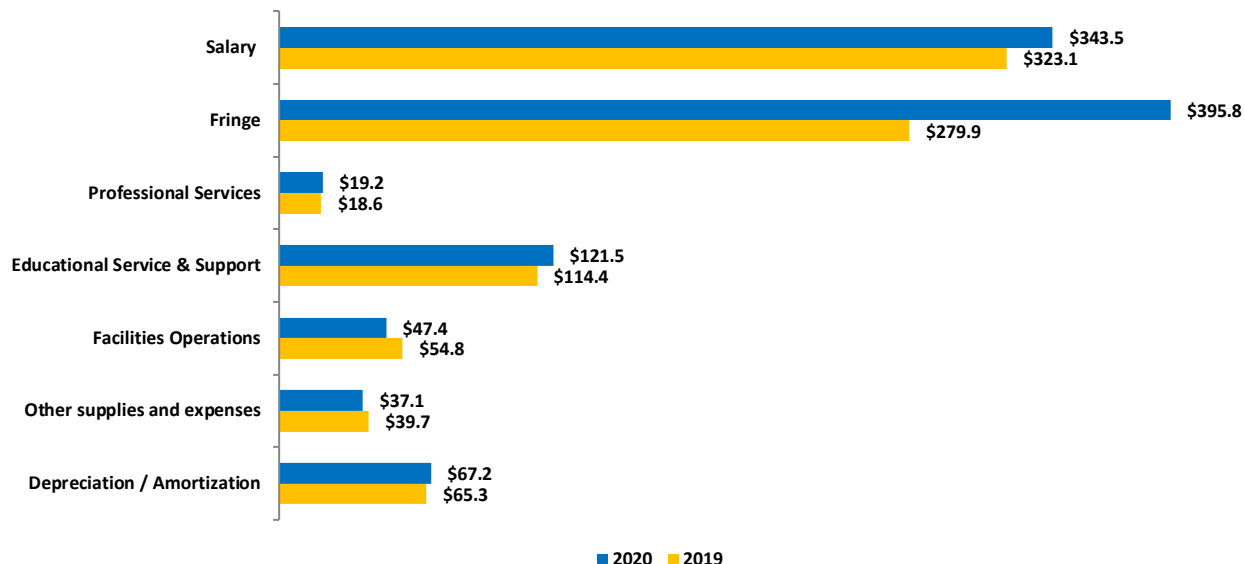
In fiscal 2020, total operating expenses less depreciation and amortization of \$964.5 million increased by \$133.9 million or 16.1% from the prior fiscal year. The primary cause of the increase was related to an increase in fringe benefits due to pension and OPEB liability of \$115.9 million and an increase in salaries and wages of \$20.4 million.

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

EXPENSE (in millions)



EXPENSE BY NATURAL CLASSIFICATION (in millions)



Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. The System's net change in cash and cash equivalents at June 30, 2020 decreased \$12.1 million or 17.5%. This decrease was primarily driven by a larger operating loss driven by the room and board refunds given as a result of campus closures during the COVID-19 pandemic. Cash flow from these auxiliary revenues decreased by \$25.5 million during 2020. Also, during 2019 there was a new bond issuance which provided \$78.1 million in proceeds in capital and related financing activity cash flow. There were no bond issuances during 2020 and therefore no similar inflow of cash. Finally, less investments were purchased during 2020 than in 2019 which offset the decreases in cash noted previously.

Condensed Statement of Cash Flows June 30, 2020 and 2019 (in millions)

	2020	2019	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	\$ (351.3)	\$ (324.7)	8.2%
Non-capital financing activities	351.5	343.4	2.4%
Capital & related financing activities	(34.6)	16.3	(312.3%)
Investing activities	22.3	(45.3)	149.2%
Net change in cash and cash equivalents	(12.1)	(10.3)	17.5%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	357.8	368.1	(2.8%)
Cash and cash equivalents, end of year	\$ 345.7	\$ 357.8	(3.4%)

Economic Outlook

Connecticut and CSCU are in a period of immense economic uncertainty. The COVID-19 pandemic and ensuing economic dislocation have caused major budget and operational disruption in higher education and throughout the economy. State tax revenues are very difficult to predict, particularly for Connecticut's highly volatile income tax collections from capital gains, self-employment, and small business sectors, each of which faces its own pandemic-related challenges. This may result in lower levels of state subsidy to support operations, and a more challenging environment in which to make organizational changes to improve student success.

The economic behavior of our students and prospective students is also very hard to predict. The occupancy of CSU residence halls is down to 50% in the Fall 2020 semester. CSCU, and higher education as an industry, must try to understand when and under what circumstances these students will return. This is key because CSCU was confronting an underlying weakness in enrollment throughout the system before the pandemic changed our operations. The system needs to find a way not simply to return to 2019 enrollment levels, but to increase enrollment to levels that can sustain CSCU's diverse footprint of institutions.

Finally, CSCU will need to adapt to the changes in the economy that occur as we recover from the loss of jobs and income that occurred in 2020. CSCU institutions must, for instance, adapt to changes in the staffing needs in healthcare, manufacturing, and criminal justice sectors as they change during this downturn and recovery. CSCU is a committed partner to the state in meeting its economic development goals, and that will require adaptation as the needs of the state develop.

CSCU continues to make unprecedented changes through the merger of community colleges, reorganization of back-office functions under shared services, and austerity demanded by the sudden drop in revenue experienced in the Fall of 2020. These changes will allow us to meet the longer-term changes in the economy by making CSCU more dynamic and resilient.

The following table indicates historical enrollment of undergraduate and graduate students for the 2015-2016 through 2019-2020 academic years. Also indicated is full-time equivalent student enrollment. Enrollment this fiscal year has declined by 3% after a few years of relatively flat enrollment.

Fall Headcount Enrollment and Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Full Time Equivalent	% Change
2020	26,792	-3.31%	4,790	-4.45%	31,582	-3.48%	26,280	-3.03%
2019	27,709	0.17%	5,013	-6.68%	32,722	-0.94%	27,101	-0.73%
2018	27,661	-0.69%	5,372	0.71%	33,033	-0.46%	27,301	0.14%
2017	27,853	-2.04%	5,334	2.34%	33,187	-1.36%	27,263	-0.75%
2016	28,434	-0.53%	5,212	-5.51%	33,646	-1.33%	27,470	-0.95%

Additional Information

This financial report is designed to provide a general overview of CSUS's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to the CSCU Chief Financial Officer, Connecticut State Colleges & Universities (860-723-0251). University specific questions may also be directed to the Vice President for Finance at each individual University.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Regents of
Connecticut State Colleges and Universities

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Connecticut State University System (The System Office; Central Connecticut State University; Eastern Connecticut State University, Southern Connecticut State University, and Western Connecticut State University), an enterprise fund of the State of Connecticut (collectively, "CSUS" or the "System") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregated discretely presented component units (the affiliated foundations (the "Foundations")), which statements reflect total assets of \$167.3 million and total net assets of \$165.7 million as of June 30, 2020, and total revenues, capital gains and losses, and other support of \$17.1 million for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Connecticut State Universities System as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the System, an enterprise fund of the State of Connecticut and do not purport to, and do not present fairly, the financial position of the State of Connecticut as of June 30, 2020, the changes in its financial position or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 1 through 10 and the Schedule of Net Pension Liability and Related Ratios, Schedule of Net Other Post-Employment Benefits and Related Ratios, and Schedule of Contributions on pages S-1 through S-9 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplemental Combining Statement of Net Position, Combining Statement of

Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Combining Statement of Net Position by Fund Group, and Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group included on pages 51 through 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on 2019 summarized comparative information

We have previously audited the System's 2019 basic financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated January 27, 2020. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

GRANT THORNTON LLP (signed manually)

Boston, Massachusetts
December XX, 2020

Connecticut State University System

Statements of Net Position

June 30, 2020 and 2019

CSCU

	2020	2019
Assets		
Current assets		
Cash and cash equivalents (Notes 2 and 6)	\$ 206,682,716	\$ 213,951,794
Investments (Note 2)	106,039,932	121,196,238
Accounts receivable, net (Note 3)	12,740,050	10,882,233
Due from the State of Connecticut (Note 6)	55,381,257	66,116,244
Prepaid expenses and other current assets	6,819,679	8,788,484
Total current assets	<u>387,663,634</u>	<u>420,934,993</u>
Noncurrent assets		
Cash and cash equivalents (Notes 2 and 6)	139,059,549	143,875,419
Investments (Note 2)	34,517,743	33,196,032
Accounts receivable, net (Note 3)	3,697,799	5,524,343
Other assets	183,292	200,215
Investment in plant, net of accumulated depreciation (Note 4)	<u>1,230,558,300</u>	<u>1,224,860,764</u>
Total noncurrent assets	<u>1,408,016,683</u>	<u>1,407,656,773</u>
Total assets	<u>\$ 1,795,680,317</u>	<u>\$ 1,828,591,766</u>
Deferred outflows of resources		
Deferred pension (Note 13)	\$ 331,267,755	\$ 267,668,475
Deferred other post employment benefits (Note 13)	367,238,214	52,286,937
Deferred loss on bond refunding (Note 13)	842,046	995,577
Total deferred outflows of resources	<u>\$ 699,348,015</u>	<u>\$ 320,950,989</u>

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

Connecticut State University System

Statements of Net Position

June 30, 2020 and 2019

CSCU

	2020	2019
Liabilities		
Current liabilities		
Accounts payable	\$ 17,573,799	\$ 22,752,253
Accrued salaries and benefits	73,919,436	60,948,741
Accrued compensated absences (Note 5)	5,316,466	4,492,445
Due to the State of Connecticut	746,318	4,825,126
Unearned tuition, fees and grant revenue (Note 10)	22,662,269	22,737,074
Bonds payable (Note 12)	18,345,000	19,520,000
Accrued bond interest payable	2,314,059	2,355,106
Other liabilities	3,281,311	2,827,365
Depository accounts	6,719,975	5,304,874
Total current liabilities	<u>150,878,633</u>	<u>145,762,984</u>
Noncurrent liabilities		
Accrued compensated absences (Note 5)	68,428,599	60,463,728
Bonds payable (Note 12)	334,986,976	356,230,676
Federal loan program advances	5,462,757	9,107,511
Deferred compensation	317,915	288,357
Pension liability, net (Note 8)	1,074,431,967	907,005,570
Other post employment benefits, net (Note 9)	1,338,986,646	961,772,722
Total noncurrent liabilities	<u>2,822,614,860</u>	<u>2,294,868,564</u>
Total liabilities	<u>\$ 2,973,493,493</u>	<u>\$ 2,440,631,548</u>
Deferred inflows of resources		
Deferred pension (Note 13)	\$ 23,621,531	\$ 30,128,242
Deferred other post employment benefits (Note 13)	115,194,745	100,438,398
Total deferred inflows of resources	<u>\$ 138,816,276</u>	<u>\$ 130,566,640</u>
Net Position		
Invested in capital assets, net of related debt	\$ 1,093,326,197	\$ 1,076,183,307
Restricted		
Nonexpendable	467,116	467,116
Expendable	24,026,020	32,597,905
Unrestricted	(1,735,100,770)	(1,530,903,761)
Total net position	<u>\$ (617,281,437)</u>	<u>\$ (421,655,433)</u>

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

	2020	2019
Assets		
Cash and cash equivalents	\$ 7,656,077	\$ 5,005,679
Investments	150,043,565	150,137,311
Contributions and other receivables	6,538,786	5,194,886
Prepaid expenses and other assets	432,331	191,475
Beneficial interest in trusts	642,758	644,129
Investment in plant, net	1,959,837	3,810,775
Total Assets	\$ 167,273,354	\$ 164,984,255
Liabilities		
Accounts payable and accrued expenses	1,165,923	681,985
Other liabilities	417,760	576,750
Total liabilities	1,583,683	1,258,735
Net Assets		
Without donor restrictions	7,774,068	6,621,619
With donor restrictions	157,915,603	157,103,901
Total net assets	165,689,671	163,725,520
Total Liabilities and Net Assets	\$ 167,273,354	\$ 164,984,255

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

Connecticut State University System
Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020 and 2019



	2020	2019
Operating revenues		
Tuition and fees		
Tuition and fees (Note 1)	\$ 352,716,298	\$ 348,786,879
Less		
Scholarships allowance	(36,412,517)	(35,931,115)
Waivers	(20,826,328)	(19,497,670)
Tuition and fees, net of scholarship allowances and waivers	295,477,453	293,358,094
Federal grants and contracts	8,701,180	7,633,521
State and local grants and contracts	11,635,511	10,490,974
Nongovernment grants and contracts	6,869,900	6,184,590
Indirect cost recoveries	766,028	698,086
Auxiliary revenues (Note 1)	87,471,363	112,247,344
Other operating revenues	8,359,015	7,867,262
Total operating revenues	419,280,450	438,479,871
Operating expenses (Note 11)		
Salaries and wages	343,466,114	323,090,807
Fringe benefits	395,780,745	279,875,673
Professional services and fees	19,202,627	18,580,441
Educational services and support	121,492,594	114,436,008
Travel expenses	4,907,325	6,922,974
Operation of facilities	47,402,613	54,788,955
Other operating supplies and expenses	32,190,063	32,743,332
Depreciation expense	67,152,130	65,269,441
Amortization expense	37,887	55,968
Total operating expenses	1,031,632,098	895,763,599
Operating loss	(612,351,648)	(457,283,728)
Nonoperating revenues (expenses)		
State appropriations	283,884,100	282,099,732
Pell grant revenue	45,078,419	45,614,221
Federal emergency grant revenue	20,921,780	-
Gifts	3,648,396	4,459,676
Investment income	7,928,517	11,391,387
Interest expense	(11,670,523)	(11,456,038)
Other nonoperating revenues (expenses), net	1,415,597	1,149,407
Net nonoperating revenues (expenses)	351,206,286	333,258,385
Loss before other changes in net position	(261,145,362)	(124,025,343)
Other changes in net position		
State appropriations restricted for capital purposes	67,124,021	90,621,849
Loss on disposal of capital assets	(1,604,663)	(4,670,724)
Other changes in net position	65,519,358	85,951,125
Change in net position	(195,626,004)	(38,074,218)
Net position at beginning of year	(421,655,433)	(383,581,215)
Net position at end of year	\$ (617,281,437)	\$ (421,655,433)

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

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains and other support				
Contributions	\$ 7,808,987	\$ 6,866,071	\$ 14,675,058	\$ 13,726,335
Program income	5,761	182,407	188,168	466,081
Investment income, net	326,510	1,822,805	2,149,315	7,837,071
Other income (loss)	591,968	(508,872)	83,096	100,685
Loss on disposal of asset	-	-	-	(150,000)
Net assets released from restrictions	8,090,048	(8,090,048)	-	-
Total revenues, gains and other support	<u>16,823,274</u>	<u>272,363</u>	<u>17,095,637</u>	<u>21,980,172</u>
Operating expenses				
Program services	12,149,318	-	12,149,318	11,012,081
Management and general	1,433,623	-	1,433,623	1,486,110
Fundraising	1,548,545	-	1,548,545	1,083,494
Total operating expenses	<u>15,131,486</u>	<u>-</u>	<u>15,131,486</u>	<u>13,581,685</u>
Other changes				
Prior period adjustment	<u>(539,339)</u>	<u>539,339</u>	<u>-</u>	<u>-</u>
Change in net assets	1,152,449	811,702	1,964,151	8,398,487
Net assets				
Beginning of year	6,621,619	157,103,901	163,725,520	155,327,033
End of year	<u>\$ 7,774,068</u>	<u>\$ 157,915,603</u>	<u>\$ 165,689,671</u>	<u>\$ 163,725,520</u>

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

Connecticut State University System

Statements of Cash Flows

Year Ended June 30, 2020 and 2019

CSCU

	2020	2019
Cash flows from operating activities		
Tuition and fees	\$ 291,077,192	\$ 291,638,700
Grants and contracts	29,229,363	24,317,478
Auxiliary revenues	86,687,164	112,138,530
Other operating revenues	12,997,460	12,980,227
Payments to employees for salaries and benefits	(547,718,642)	(540,340,877)
Payments to suppliers	(3,756,684)	(4,835,592)
Professional services and fees	(19,202,627)	(18,580,441)
Educational services and support	(121,492,786)	(114,435,815)
Travel expenses	(4,907,325)	(6,922,974)
Operation of facilities	(49,913,592)	(57,736,002)
Other operating supplies and expenses	(24,322,239)	(22,935,393)
Net cash used in operating activities	(351,322,716)	(324,712,159)
Cash flows from noncapital financing activities		
State appropriations	283,551,363	291,433,387
Gifts for other than capital purposes	3,648,395	4,459,676
Nonoperating grants and revenue other	64,284,113	47,514,140
Net cash provided by noncapital financing activities	351,483,871	343,407,203
Cash flows from investing activities		
Proceeds from sales and maturities of investments	49,069,490	54,726,964
Purchases of investments	(35,234,896)	(111,172,515)
Interest and dividends received on investments	8,483,564	11,154,010
Net cash provided by investing activities	22,318,158	(45,291,541)
Cash flows from capital and related financing activities		
Cash paid for capital assets	(78,468,180)	(109,498,117)
State capital appropriations received	77,636,522	97,577,198
Proceeds from new bond issuance	-	78,079,212
Proceeds from refunding of bonds	-	23,346,283
Repayments of capital debt	(19,520,000)	(18,940,000)
Interest paid on capital debt	(14,212,603)	(13,089,006)
Payments to refunded bond escrow agent	-	(40,366,094)
Bond issuance payments	-	(750,512)
Net cash provided by capital and related financing activities	(34,564,261)	16,358,964
Net increase in cash and cash equivalents	(12,084,948)	(10,237,533)
Cash and cash equivalents, beginning of year	357,827,213	368,064,746
Cash and cash equivalents, end of year	\$ 345,742,265	\$ 357,827,213

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

Connecticut State University System

Statements of Cash Flows

Year Ended June 30, 2020 and 2019

(Continued)

CSCU

	2020	2019
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (612,351,648)	\$ (457,283,728)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	67,152,130	65,269,441
Amortization	37,887	55,968
Changes in assets and liabilities:		
Receivables	(31,273)	1,322,978
Prepaid expenses and other	2,119,692	(1,415,754)
Accounts payable	(1,580,588)	3,087,138
Accrued salaries and benefits	12,970,695	(10,024,260)
Other liabilities	(58,948)	569,404
Due to/from the State of Connecticut	(4,078,808)	(998,829)
Unearned tuition, fees and grant revenues	(74,805)	590,424
Deferred compensation	29,558	31,383
Depository accounts	1,562,329	507,256
Accrued compensated absences	8,641,663	407,544
Pension Liability	167,426,397	18,662,676
Other post employment benefits	377,213,924	(41,200,327)
Changes in deferred outflows and inflows of resources		
Deferred pension contribution	(63,599,280)	37,695,680
Deferred other post employment benefit outflows	(314,951,277)	(2,930,282)
Deferred pension asset gains	(6,506,711)	10,835,026
Deferred other post employment benefit inflows	14,756,347	50,106,103
Net cash used in operating activities	<u>\$ (351,322,716)</u>	<u>\$ (324,712,159)</u>
Noncash financing activity		
Fixed assets included in accounts payable	\$ 5,740,571	\$ 7,179,921
Reconciliation of cash and cash equivalents to the combined statements of net position		
Cash and cash equivalents classified as current assets	\$ 206,682,716	\$ 213,951,794
Cash and cash equivalents classified as noncurrent assets	<u>139,059,549</u>	<u>143,875,419</u>
	<u>\$ 345,742,265</u>	<u>\$ 357,827,213</u>

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

Net Position

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

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

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

Classification of Assets and Liabilities

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value,

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

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

Fair Value of Financial Instruments

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

Investment in Plant

Capital assets of the primary institutions are stated at historical cost or, in the case of donated property, at acquisition value at the date of the gift. Land, capitalized collections, and construction in progress are not depreciated. Construction period interest costs in excess of earnings associated with related unspent debt proceeds are capitalized as a component of the fixed asset. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life. Useful lives assigned to assets are as follows:

<u>Asset Class Description</u>	<u>Useful Life</u>
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 years ended June 30, 2020 and 2019.

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

Interest Capitalization

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of \$10.7 million and \$8.9 million in the fiscal years ended June 30, 2020 and 2019, respectively. Interest capitalized for the fiscal years ended June 30, 2020 and 2019 totaled \$0.6 million and \$0.8 million, respectively. The cumulative capitalized interest was \$28.1 million and \$27.5 million as of June 30, 2020 and 2019, respectively, and is being amortized over 35 years. The cumulative capitalized interest net of amortization was \$20.9 million and \$21.2 million as of June 30, 2020 and 2019, respectively. Amortization of capitalized interest for each of the years ended June 30, 2020 and 2019 was \$0.8 million.

Accrued Compensated Absences (ACA)

Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statements of net position 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 liability recorded by CSUS is based on an allocation of the total net liability, as determined by an independent actuary.

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

Unearned Tuition, Fees and Grant Revenues

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

Tuition and Fees Revenue

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

Auxiliary Revenues

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

Operating Activities

Operating activities as reported in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of CSCU expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, Pell, gifts and investment income.

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

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

GASB Pronouncements Effective For Fiscal Year 2020

In April 2018, GASB released Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged. This standard was adopted in fiscal year 2020 and there was an immaterial impact as a result of the adoption.

GASB Pronouncements Effective in Future Fiscal Years

In January 2017, GASB released Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 in accordance with GASB 95, with earlier application encouraged.

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

In May 2019, GASB released Statement No. 91. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 with earlier application encouraged.

Subsequent Events

In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2020, through December xx, 2020, the date the financial statements were issued.

No items needing to be reported were noted. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result, all on-campus coursework and student activities were suspended effective March 13, 2020. All employees, except certain identified essential employees, were required to work from home. Almost all courses have been converted to online courses.

The Universities were awarded a total of \$26.1 million from the Coronavirus Aid, Relief, and Economic Security Act ("CARES"): Higher Education Emergency Relief Fund to address the unprecedented COVID-19 challenges. Half of the total award was to be awarded as emergency financial aid grants to students. As of June 30, 2020, the Universities have used \$20.9 million of the total grant towards covering student room and board refunds issued as a result of the pandemic and towards Emergency Financial Aid Grants to students. The remaining balances from the CARES Act will be drawn down and spent in 2021.

While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while CSCU expects this matter to negatively impact its financial position for 2021, the related financial impact cannot be reasonably estimated at this time.

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 rates at June 30, 2020 and 2019 were 0.25% and 2.42% respectively.

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 345,742,265	\$ 345,742,265	\$ 357,827,213	\$ 357,827,213
U.S. Mutual Funds-Governmental	125,992,378	125,992,378	139,826,971	139,826,971
Guaranteed Investment Contracts	14,565,297	14,565,297	14,565,299	14,565,299
	<u>\$ 486,299,940</u>	<u>\$ 486,299,940</u>	<u>\$ 512,219,483</u>	<u>\$ 512,219,483</u>

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

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSUS is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSUS's guaranteed investment contracts was AA-, as rated by Standard & Poor's Ratings as of June 30, 2020 and 2019.

Custodial Credit Risk – At June 30, 2020 and 2019, the carrying amount of CSUS's bank deposits was \$4.9 million and \$4.3 million as compared to bank balances of \$7.5 million and \$6.0 million respectively. The difference between the carrying amount and bank balances was primarily caused by outstanding checks and deposits in transit. Of such bank balances, \$6.7 million and \$5.2 million was uninsured and uncollateralized and therefore subject to custodial credit risk as of June 30, 2020 and 2019 respectively.

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. 70% and 69% of CSUS total cash, cash equivalents and investments was invested in the STIF and the State’s pooled interest credit program accounts as of June 30, 2020 and 2019 respectively.

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	1 to 5 Years	6 to 10 Years	More Than 10 Years
June 30, 2020					
U.S. Government obligations	\$ 125,992,378	\$ 125,992,378	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	14,565,297	-	14,565,288	1	9
	<u>\$ 140,557,675</u>	<u>\$ 125,992,378</u>	<u>\$ 14,565,288</u>	<u>\$ 1</u>	<u>\$ 9</u>
June 30, 2019					
U.S. Government obligations	\$ 139,826,971	\$ 139,826,971	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	14,565,299	1	14,565,288	1	9
	<u>\$ 154,392,270</u>	<u>\$ 139,826,972</u>	<u>\$ 14,565,288</u>	<u>\$ 1</u>	<u>\$ 9</u>

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, 2020 and 2019 are Level 1. 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:

	<u>2020</u>	<u>2019</u>
Student accounts receivable	\$ 15,694,398	\$ 13,502,705
Student loans receivable	8,390,727	10,178,523
Grants receivable	3,775,913	2,728,811
Miscellaneous receivables	<u>583,527</u>	<u>969,624</u>
	28,444,565	27,379,663
Less allowance for doubtful accounts	<u>(12,006,716)</u>	<u>(10,973,087)</u>
Net accounts receivable	<u>\$ 16,437,849</u>	<u>\$ 16,406,576</u>

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2020 and 2019. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the CSUS for amounts cancelled under these provisions.

CSUS has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans was \$3.5 million as of both June 30, 2020 and 2019. As management determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the US Department of Education.

4. Capital Assets

Capital assets for the Universities consist of the following at June 30, 2020 and 2019:

	Balance June 30, 2018	Additions	Retirements and Transfers	Balance June 30, 2019	Additions	Retirements and Transfers	Balance June 30, 2020
Capital assets not being depreciated:							
Land	\$ 19,926,269	\$ -	\$ -	\$ 19,926,269	\$ -	\$ -	\$ 19,926,269
Capitalized collections	8,576,526	341,093	(8,709)	8,908,910	47,000	(225,665)	8,730,245
Construction in progress	101,763,008	94,750,518	(98,933,084)	97,580,442	54,119,956	(81,815,768)	69,884,630
Total capital assets not being depreciated	\$ 130,265,803	\$ 95,091,611	\$ (98,941,793)	\$ 126,415,621	\$ 54,166,956	\$ (82,041,433)	\$ 98,541,144
Other capital assets:							
Land improvements	\$ 106,897,583	\$ 1,799,948	\$ (2,867,030)	\$ 105,830,501	\$ 2,259,581	\$ (841,106)	\$ 107,248,976
Buildings and building improvements	1,643,223,074	107,122,466	(4,239,911)	1,746,105,629	95,702,661	(3,110,894)	1,838,697,396
Furniture, fixtures and equipment	148,216,178	8,906,204	(8,461,037)	148,661,345	3,981,524	(5,105,052)	147,537,817
Library materials	47,565,066	270,601	(30,104,391)	17,731,276	168,556	(935,165)	16,964,667
Total other capital assets	1,945,901,901	118,099,219	(45,672,369)	2,018,328,751	102,112,322	(9,992,217)	2,110,448,856
Less accumulated depreciation for:							
Land improvements	(71,201,803)	(4,124,206)	3,551,128	(71,774,881)	(3,992,319)	609,906	(75,157,294)
Buildings and building improvements	(679,755,950)	(49,053,895)	3,711,320	(725,098,525)	(52,627,924)	2,195,092	(775,531,357)
Furniture, fixtures and equipment	(109,517,764)	(10,604,919)	8,216,555	(111,906,128)	(9,608,037)	4,864,458	(116,649,707)
Library materials	(36,172,314)	(1,486,421)	26,554,661	(11,104,074)	(923,850)	934,582	(11,093,342)
Total accumulated depreciation	(896,647,831)	(65,269,441)	42,033,664	(919,883,608)	(67,152,130)	8,604,038	(978,431,700)
Other capital assets, net	\$ 1,049,254,070	\$ 52,829,778	\$ (3,638,705)	\$ 1,098,445,143	\$ 34,960,192	\$ (1,388,179)	\$ 1,132,017,156
Capital asset summary:							
Capital assets not being depreciated	\$ 130,265,803	\$ 95,091,611	\$ (98,941,793)	\$ 126,415,621	\$ 54,166,956	\$ (82,041,433)	\$ 98,541,144
Other capital assets, at cost	1,945,901,901	118,099,219	(45,672,369)	2,018,328,751	102,112,322	(9,992,217)	2,110,448,856
Total cost of capital assets	2,076,167,704	213,190,830	(144,614,162)	2,144,744,372	156,279,278	(92,033,650)	2,208,990,000
Less accumulated depreciation	(896,647,831)	(65,269,441)	42,033,664	(919,883,608)	(67,152,130)	8,604,038	(978,431,700)
Capital assets, net	\$ 1,179,519,873	\$ 147,921,389	\$ (102,580,498)	\$ 1,224,860,764	\$ 89,127,148	\$ (83,429,612)	\$ 1,230,558,300

5. Accrued Compensated Absences

Accrued compensated absences as of June 30 include:

	2020	2019
Accrued vacation	\$ 28,801,409	\$ 25,125,327
Accrued sick leave	26,105,970	24,761,929
Other accrued fringe benefits	18,837,686	15,068,917
	<u>73,745,065</u>	<u>64,956,173</u>
Less: current portion	5,316,466	4,492,445
Noncurrent portion	<u>\$ 68,428,599</u>	<u>\$ 60,463,728</u>

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

Balance as of June 30, 2018	\$ 64,548,628
Additions in fiscal year 2019	4,864,292
Benefits paid to participants in fiscal year 2019	<u>(4,456,747)</u>
Balance as of June 30, 2019	<u>\$ 64,956,173</u>
Additions in fiscal year 2020	14,417,055
Benefits paid to participants in fiscal year 2020	<u>(5,628,163)</u>
Balance as of June 30, 2020	<u>\$ 73,745,065</u>

These accruals represent estimated amounts earned by all eligible employees through June 30, 2020 and 2019. These accrued compensated absences will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of compensated absences is estimated based on recent past history and is presented in today's dollars.

6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to another purpose within the State of Connecticut. CSUS made no transfers to the State of Connecticut during fiscal years 2020 and 2019.

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

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

	2020	2019
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	\$ 36,301,453	\$ 35,248,038
State appropriations for capital projects	<u>19,079,804</u>	<u>30,868,206</u>
	<u>\$ 55,381,257</u>	<u>\$ 66,116,244</u>

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

	2020	2019
Cash balances held with the State of Connecticut on behalf of the CSUS	\$ 252,947,884	\$266,282,389
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	87,871,563	87,240,139
	<u>\$ 340,819,447</u>	<u>\$353,522,528</u>

7. Commitments and Contingencies

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

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

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

	2020	2019
System Office	6,102,334	10,383,183
Central Connecticut State University	2,829,839	2,862,152
Eastern Connecticut State University	1,713,436	2,050,918
Southern Connecticut State University	2,639,703	2,390,902
Western Connecticut State University	4,645,485	5,145,746
	<u>\$17,930,797</u>	<u>\$ 22,832,901</u>

8. Pension Plans

Plan Description

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

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

Employees hired after July 1, 2011 but before July 31, 2017 were eligible to participate in Tier III or the Hybrid Plan, the 2 primary SERS plan options available (some employees are eligible to elect the Teachers Retirement System - "TRS"). The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the 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). CSCU makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut.

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

Funding Policy

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

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

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 59.99% for SERS and 33.44% for TRS for the fiscal year ended June 30, 2020. The State contributed \$72.1 million and \$1.9 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2020, equal to 100% and 77% of the required contributions that year. The rate was 64.30% for SERS and 41.84% for TRS for the fiscal year ended June 30, 2019. The State contributed \$58.7 million and \$1.2 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2019, equal to 99% and 52% of the required contributions that year.

Net Pension Liability

The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2020 was measured and valued as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date. The net pension liability recorded in the financial statements as of June 30, 2019 was measured and valued as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. As of June 30, 2020, for the TRS plan, the CSUS's proportion was 0.19% and for the SERS plan, the CSUS's proportion was 4.57%. As of June 30, 2019, for the TRS plan, the CSUS's proportion was 0.19% and for the SERS plan, the CSUS's proportion was 4.57%.

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, 2020 for SERS and TRS was \$1,042.3 million and \$32.1 million, respectively. The net pension liability for the CSUS as of June 30, 2019 for SERS and TRS was \$882.4 million and \$24.8 million, respectively.

Actuarial Assumptions for SERS:

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

Measurement Year	2019	2018
Inflation	2.50%	2.50%
Salary increases including inflation	3.50% to 19.50%	3.50% to 19.50%
Investment rate of return net of pension plan investment expense, including inflation	6.90%	6.90%

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

The actuarial assumptions used in the June 30, 2019 valuation (which was the basis for recording the June 30, 2020 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation (which was the basis for recording the June 30, 2019 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2018.

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

The best estimates of geometric rates of return for each major asset class as of the 2019 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
		Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market International Stock Fund	11%	6.0%
Emerging Markets International Stock Fund	9%	7.9%
Core Fixed Income	16%	2.1%
Inflation Linked Bond Fund	5%	1.1%
Emerging Market Debt Fund	5%	2.7%
High Yield Bond Fund	6%	4.0%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Liquidity Fund	1%	0.4%
	100%	

The best estimates of geometric rates of return for each major asset class as of the 2018 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
		Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Market (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income	8.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%
TIPS	5.0%	1.0%
Cash	4.0%	0.4%
	100.0%	

Actuarial Assumptions for TRS:

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

Measurement Year	2019	2018
Inflation	2.50%	2.75%
Salary increases including inflation	3.25% to 6.50%	3.25% to 6.50%
Investment rate of return net of pension plan investment expense, including inflation	6.90%	8.00%

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the 2019 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity - US Equity	20.0%	8.1%
Public Equity - International Developed Equity	11.0%	8.5%
Public Equity - Emerging Markets Equity	9.0%	10.4%
Fixed Income - Core Fixed Income	16.0%	4.6%
Fixed Income - Inflation Linked Bonds	5.0%	3.6%
Fixed Income - High Yield	6.0%	6.5%
Fixed Income - Emerging Market Debt	5.0%	5.2%
Private Equity	10.0%	9.8%
Real Estate	10.0%	7.0%
Alternative Investments - Real Assets	4.0%	8.2%
Alternative Investments - Hedge Funds	3.0%	5.4%
Liquidity Fund	1.0%	2.9%
	100.0%	

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the 2018 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Market (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	5.0%	3.7%
Inflation Linked Bonds	3.0%	1.0%
Cash	6.0%	0.4%
	100.0%	

Discount Rate for SERS:

The discount rate used to measure the total pension liability was 6.9% in the 2019 and 2018 measurement years. 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% and 8.0% in the 2019 and 2018 measurement years, respectively. 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-percentage-point lower or 1-percentage-point higher than the current rate (in thousands):

	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	\$ 1,244,792,451	\$ 1,042,307,443	\$ 873,402,450
TRS	40,071,419	32,123,860	25,442,342

The following table presents the June 30, 2018 measurement date net pension liability of the CSU System calculated using the current-period discount rate assumption of 6.9% for SERS and 8.0% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands):

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

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

For the years ended June 30, 2020 and 2019, the CSUS recognized pension expense of \$97.2 million and \$67.3 million, respectively. A schedule of deferred outflows and inflows of resources as of June 30, 2020 and 2019 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to the CSUS that will be recognized in pension expense during the next five years is as follows (in thousands):

Fiscal Years				
Ending June 30,	SERS	TRS	Total	
2020	\$ 88,121,806	\$ 3,517,807	\$ 91,639,613	
2021	58,495,050	2,935,784	61,430,834	
2022	27,261,899	3,141,781	30,403,680	
2023	28,895,116	2,732,141	31,627,257	
2024	15,502,085	1,513,185	17,015,270	
Thereafter	\$ -	\$ 429,963	429,963	

9. Other Post-Employment Benefits

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

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

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

Plan Description

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

Funding Policy

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

outside of the CSCU entities. CSCU contributes and helps fund the annual appropriation based upon a designated fringe rate established by the State.

Investments

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

The following is the asset allocation policy as of June 30, 2020:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market International Stock Fund	11%	6.0%
Emerging Markets International Stock Fund	9%	7.9%
Core Fixed Income	16%	2.1%
Inflation Linked Bond Fund	5%	1.1%
Emerging Market Debt Fund	5%	2.7%
High Yield Bond Fund	6%	4.0%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Liquidity Fund	1%	0.4%
	<u>100%</u>	

The following is the asset allocation policy as of June 30, 2019:

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

Net OPEB Liability

The Systems' net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2020 of \$1,338.9 million was measured and valued as of June 30, 2019 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. The net OPEB liability recorded in the financial statements as of

June 30, 2019 of \$961.8 million was measured and valued as of June 30, 2018 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net OPEB liability was based on a projection of the System's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities and the State, actuarially determined.

For the SEOPEBP plan, at June 30, 2020 and 2019 the System's proportion was 6.47% and 5.57%, respectively. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately. The net liability for the CSU System as of June 30, 2020 and 2019 for SEOPEBP was \$1,338.9 and \$961.8 million, respectively.

Actuarial Assumptions:

The total OPEB liability was determined by actuarial valuations as of June 30, 2019 and 2018, using the following actuarial assumptions:

Measurement Year	2019
Payroll growth rate	3.50%
Salary increases	3.25% to 19.50% varying by years of service and retirement system
Discount rate	3.58%
Healthcare cost trend rates:	
Medical	6.0% graded to 4.5% over 6 years
Prescription drug	3.00%
Dental and Part B	4.50%
Administrative expense	3.00%
Measurement Year	2018
Payroll growth rate	3.50%
Salary increases	3.25% to 19.50% varying by years of service and retirement system
Discount rate	3.95% as of June 30, 2018 and 3.68% as of June 30, 2017
Healthcare cost trend rates:	
Medical	6.5% graded to 4.5% over 4 years
Prescription drug	8.0% graded to 4.5% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

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

The discount rate used to measure the total OPEB liability for SEOPEBP was 3.58% and 3.95% for measurement dates June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate was performed in accordance with GASB pronouncements.

On December 20, 2019, there was a change in law, which repealed the excise "Cadillac" tax. The OPEB valuation has not taken this into account; this may have an impact on future OPEB obligations.

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:

For measurement date of June 30, 2019:

Discount rate comparison:	1% Decrease (2.58%)	Current Discount (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$ 1,558,371,578	\$ 1,338,986,646	\$ 1,160,895,577

Health care trend rate comp	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 1,147,843,319	\$ 1,338,986,646	\$ 1,580,245,043

For measurement date of June 30, 2018:

Discount rate comparison:	1% Decrease in Discount Rate (2.95%)	Current Discount Rate (3.95%)	1% Increase in Discount Rate (4.95%)
Net OPEB Liability	\$ 1,115,705,630	\$ 961,875,749	\$ 836,956,018

Health care trend rate comparison:	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$ 819,295,275	\$ 961,857,749	\$ 1,142,545,824

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

For the year ended June 30, 2020 and 2019, the CSUS recognized OPEB expense of \$76.9 million and \$5.9 million, respectively. A schedule of deferred outflows and inflows of resources as of June 30, 2020 and 2019 is disclosed in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to the CSUS that will be recognized in pension expense during the next five years is as follows:

Fiscal Years Ending June 30,	OPEB
2021	\$ 39,481,814
2022	39,481,685
2023	46,036,159
2024	59,350,917
2025	14,480,895
Thereafter	\$ -

10. Unearned Tuition, Fees and Grant Revenue

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

	2020	2019
Unearned tuition and fees	\$ 18,210,948	\$ 21,031,240
Grants and contracts	4,388,287	1,663,655
Other	63,034	42,179
	<u>\$ 22,662,269</u>	<u>\$ 22,737,074</u>

11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

Year ended June 30, 2020										
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	\$ 28,700,045	\$ 32,626,368	\$ 2,064,918	\$ 4,268,682	\$ 1,152,100	\$ 190,629	\$ 2,408,059	\$ -	\$ -	\$ 71,410,801
Auxiliary enterprises	9,746,940	11,801,711	1,192,205	25,476,933	148,326	7,039,262	784,792	-	-	56,190,169
Institution support	43,135,277	50,745,134	6,569,203	1,037,743	518,352	727,223	17,693,432	-	-	120,426,364
Instruction	175,515,508	189,135,871	1,564,582	2,667,995	454,857	1,263,814	1,116,530	-	-	371,719,157
Physical plant	33,266,857	51,202,278	1,696,365	800,076	96,731	37,128,243	6,100,961	67,152,130	37,887	197,481,528
Public service	3,881,654	3,753,188	1,032,332	472,449	382,950	233,021	434,468	-	-	10,190,062
Research	3,274,629	3,152,454	629,780	334,641	319,303	46,815	533,514	-	-	8,291,136
Scholarships, loans and refunds	486,459	173,377	1,256,110	84,238,076	9,048	4,304	140,524	-	-	86,307,898
Student services	45,458,745	53,190,364	3,197,132	2,195,999	1,825,658	769,302	2,977,783	-	-	109,614,983
Total expenses	\$ 343,466,114	\$ 395,780,745	\$ 19,202,627	\$ 121,492,594	\$ 4,907,325	\$ 47,402,613	\$ 32,190,063	\$ 67,152,130	\$ 37,887	\$ 1,031,632,098
Year ended June 30, 2019										
Natural Classification										
	Salaries and wages	Fringe benefits	Professional services and fees	Educational services and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	\$ 26,503,931	\$ 22,959,868	\$ 1,673,320	\$ 4,787,896	\$ 1,623,163	\$ 370,626	\$ 3,042,230	\$ -	\$ -	\$ 60,961,034
Auxiliary enterprises	9,391,266	8,723,054	1,535,630	29,913,452	71,423	7,854,823	1,079,585	-	-	58,569,233
Institution support	41,170,236	35,202,076	5,752,805	1,137,450	594,798	681,342	15,954,803	-	-	100,493,510
Instruction	166,007,959	133,392,317	1,855,075	2,548,803	913,581	521,165	1,819,694	-	-	307,058,594
Physical plant	31,485,202	37,995,965	2,153,966	840,793	79,598	43,613,039	6,386,499	65,269,441	55,968	187,880,471
Public service	4,173,240	3,077,914	1,285,968	607,129	641,226	404,635	499,906	-	-	10,690,018
Research	2,821,765	1,954,205	849,949	439,885	530,631	47,508	504,353	-	-	7,148,296
Scholarships, loans and refunds	475,980	80,717	313,651	71,077,034	5,275	675	72,426	-	-	72,025,758
Student services	41,061,228	36,489,557	3,160,077	3,083,566	2,463,279	1,295,142	3,383,836	-	-	90,936,685
Total expenses	\$ 323,090,807	\$ 279,875,673	\$ 18,580,441	\$ 114,436,008	\$ 6,922,974	\$ 54,788,955	\$ 32,743,332	\$ 65,269,441	\$ 55,968	\$ 895,763,599

12. Bonds, Notes Payable and Capital Lease Obligations

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

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

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

CHEFA Series	Issue Date	Issuance Amount	Mature in Years:	Interest Rates:	Outstanding Principal 2020	Outstanding Principal 2019
I	4/18/2007	\$ 2,760,000	2008 - 2033	3.00% - 5.25%	\$ 15,160,000	\$ 17,475,000
J	6/22/2011	27,035,000	2012 - 2031	2.00% - 4.00%	18,205,000	19,405,000
K	6/22/2011	14,010,000	2012 - 2020	3.00% - 4.00%	-	4,845,000
L	4/4/2012	9,040,000	2012 - 2029	2.50% - 4.00%	45,515,000	45,530,000
M	1/10/2013	34,060,000	2014 - 2033	3.00% - 5.00%	25,800,000	27,185,000
N	10/23/2013	80,340,000	2015 - 2034	4.10% - 5.00%	63,875,000	66,980,000
O	9/11/2014	21,240,000	2015 - 2031	2.00% - 4.00%	16,790,000	16,810,000
P-1	9/13/2016	55,030,000	2016 - 2036	2.50% - 5.00%	49,640,000	51,525,000
P-2	9/13/2016	19,530,000	2016 - 2036	2.50% - 5.00%	5,080,000	9,830,000
Q-1	5/10/2019	71,260,000	2020 - 2039	3.00% - 5.00%	71,260,000	71,260,000
Q-2	5/10/2019	20,845,000	2020 - 2039	5.00% - 5.00%	20,845,000	20,845,000
					<u>\$ 332,170,000</u>	<u>\$ 351,690,000</u>

In connection with the fiscal year 2019 refunding of portions of Series I, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statement of net position as of June 30, 2019. The outstanding amount of the refunded bonds totaled \$20.8 million and \$40.2 million as of June 30, 2020 and 2019, respectively. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$0.9 million. The difference, which is recorded as a deferred loss on bond refunding, is being charged to interest expense over the remaining life, before the refunding, of the Series I bond. As a result of the defeasance, CSUS reduced its aggregate debt service payments by \$7.6 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of \$3.8 million.

In connection with the fiscal year 2017 refunding of portions of Series G and H, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position as of June 30, 2017. The outstanding amount of the refunded bonds totaled \$4.9 million and \$9.8 million at June 30, 2020 and 2019, respectively. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$0.6 million. The difference, which is recorded as a deferred loss on bond refunding, is being charged to interest expense over the remaining life, before the refunding, of the Series H bond. As a result of the defeasance, CSUS reduced its aggregate debt service payments by \$2.0 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of \$1.8 million.

In connection with the fiscal year 2015 refunding of portions of Series F and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. The outstanding amount of the refunded bonds totaled \$17.8 million at June 30, 2020 and 2019. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$0.8 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of the new bonds (Series O) using the straight-line method. As a result of the defeasance, CSUS reduced its aggregate debt service payments by \$2.2 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of \$1.5 million.

In connection with the fiscal year 2012 refunding of portions of Series B and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. The outstanding amount of the refunded bonds totaled \$45.9 million at June 30, 2020 and 2019. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.5 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of defeasance, CSUS reduced its aggregate debt service payments by \$8.6 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of \$4.2 million.

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

In connection with the fiscal year 2007 advance refunding of portions of Series D, E and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. The outstanding amount of these refunded bonds totaled \$53.5 million and \$55.8 million at June 30, 2020 and 2019, respectively. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.4 million. The difference, which was recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method.

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

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

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 18,345,000	\$ 13,438,431
2022	19,060,000	12,568,856
2023	19,710,000	11,678,506
2024	20,400,000	10,757,269
2025	20,155,000	9,838,481
2026-2030	105,145,000	35,404,132
2031-2035	97,205,000	12,697,347
2036-2040	32,150,000	2,094,706
	<u>\$ 332,170,000</u>	<u>\$ 108,477,728</u>

Long-term liabilities activity for the year ended June 30, 2020 and 2019 was as follows:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>
Bonds payable	\$ 351,690,000	\$ -	\$ (19,520,000)	\$ 332,170,000
Premium on bonds payable	25,584,719	-	(3,070,265)	22,514,454
Discount on bonds payable	(1,524,043)	-	171,565	(1,352,478)
Total bonds payable	<u>\$ 375,750,676</u>	<u>-</u>	<u>\$ (22,418,700)</u>	<u>\$ 353,331,976</u>

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

13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2020 and 2019:

As of June 30, 2020	SERS	TRS	OPEB	Debt Refunding	Total
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	\$ 70,816,198	\$ -	\$ -	\$ -	\$ 70,816,198
Changes of assumptions or other inputs	68,418,762	7,873,592	178,870,945	-	255,163,299
Net difference between projected and actual earnings on pension plan investments	-	533,544	-	-	533,544
Changes in proportion and differences between employer contributions and proportionate share of contributions	100,785,007	7,741,045	135,193,590	-	243,719,642
Employer contributions after measurement date	73,503,269	1,596,338	53,173,679	-	128,273,286
Loss on bond refunding	-	-	-	842,046	842,046
Total	\$ 313,523,236	\$ 17,744,519	\$ 367,238,214	\$ 842,046	\$ 699,348,015
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	\$ -	\$ 800,429	\$ 33,788,936	\$ -	\$ 34,589,365
Changes of assumptions or other inputs	-	-	44,308,283	-	44,308,283
Net difference between projected and actual earnings on pension plan investments	2,480,091	-	290,514	-	2,770,605
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,263,919	1,077,092	36,807,012	-	57,148,023
Total	\$ 21,744,010	\$ 1,877,521	\$ 115,194,745	\$ -	\$ 138,816,276
As of June 30, 2019					
	SERS	TRS	OPEB	Debt Refunding	Total
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	\$ 31,144,275	\$ -	\$ -	\$ -	\$ 31,144,275
Changes of assumptions or other inputs	96,143,563	2,329,817	-	-	98,473,380
Net difference between projected and actual earnings on pension plan investments	-	458,025	-	-	458,025
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,924,881	9,692,571	3,541,193	-	67,158,645
Employer contributions after measurement date	72,114,688	1,860,655	48,745,744	-	122,721,087
Loss on bond refunding	-	-	-	995,577	995,577
Total	\$ 253,327,407	\$ 14,341,068	\$ 52,286,937	\$ 995,577	\$ 320,950,989
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	\$ -	\$ 1,022,554	\$ -	\$ -	\$ 1,022,554
Changes of assumptions or other inputs	-	-	50,819,798	-	50,819,798
Net difference between projected and actual earnings on pension plan investments	2,766,435	-	386,547	-	3,152,982
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,537,106	802,147	49,232,053	-	75,571,306
Total	\$ 28,303,541	\$ 1,824,701	\$ 100,438,398	\$ -	\$ 130,566,640

Connecticut State University System

Supplemental Financial Information

June 30, 2020 – 2014

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State Employee Retirement System Plan
Last 10 Fiscal Years ¹

	2020	2019	2018	2017	2016	2015	2014 ¹
System's proportion of the net pension liability	4.57%	4.07%	3.81%	4.23%	3.96%	3.61%	3.12%
System's proportionate share of the net pension liability	\$ 1,042,307,443	\$ 882,364,851	\$ 876,023,924	\$ 972,052,721	\$ 653,585,476	\$ 577,889,607	\$ 516,857,599
System's covered-employee payroll	\$ 196,237,881	\$ 175,778,524	\$ 144,700,282	\$ 152,194,773	\$ 154,782,123	\$ 140,369,452	\$ 119,305,259
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	531%	502%	605%	639%	422%	412%	433%
Plan Fiduciary net position as a percentage of the total pension liability	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%	N/A ¹

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

Teachers Retirement System Plan
Last 10 Fiscal Years ¹

	2020	2019	2018	2017	2016	2015	2014 ¹
System's proportion of the net pension liability	0.19%	0.19%	0.09%	0.09%	0.10%	0.10%	0.10%
System's proportionate share of the net pension liability	\$ 32,123,860	\$ 24,769,362	\$ 12,309,255	\$ 12,986,359	\$ 10,523,910	\$ 9,727,277	\$ 10,728,942
State's proportionate share of the net pension liability associated with the System	\$ 27,059,919	\$ 24,769,425	\$ 12,986,445	\$ 12,986,447	\$ 10,523,916	\$ 9,714,654	N/A ¹
Total	<u>\$ 59,183,779</u>	<u>\$ 49,538,787</u>	<u>\$ 25,295,700</u>	<u>\$ 25,972,806</u>	<u>\$ 21,047,826</u>	<u>\$ 19,441,931</u>	<u>\$ 10,728,942</u>
System's covered-employee payroll	\$ 5,075,252	\$ 4,728,567	\$ 3,652,263	\$ 4,127,906	\$ 3,930,206	\$ 3,813,448	\$ 3,063,073
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	633%	524%	337%	315%	268%	255%	350%
Plan Fiduciary net position as a percentage of the total pension liability	52.00%	57.69%	55.93%	52.26%	59.50%	61.56%	N/A ¹

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

Connecticut State University System

Schedule of Net OPEB Liability and Related Ratios (Unaudited)

June 30, 2020 – 2014

CSCU

Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years ¹

	2020	2019	2018	2017
System's proportion of the net OPEB liability	6.47%	5.57%	4.62%	4.73%
System's proportionate share of the net OPEB liability	\$ 1,338,986,646	\$ 967,345,901	\$ 996,032,245	\$ 1,021,241,708
System's covered-employee payroll	\$ 234,304,156	\$ 246,718,621	\$ 251,238,643	\$ 260,590,503
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	571%	392%	396%	392%
Plan Fiduciary net position as a percentage of the total OPEB liability	5.47%	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.

Connecticut State University System

Schedule of Contributions (Unaudited)

June 30, 2020 – 2014

CSCU

State Employee Retirement System Plan

Last 10 Fiscal Years ¹

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 72,114,688	\$ 59,187,070	\$ 64,638,177	\$ 64,086,201	\$ 54,526,224	\$ 45,788,758	\$ 33,007,798
Contributions in relation to the contractually required contribution	(72,114,688)	(58,713,574)	(64,121,072)	(63,573,511)	(54,253,593)	(45,788,758)	(32,974,790)
Contribution deficiency (excess)	\$ -	\$ 473,496	\$ 517,105	\$ 512,690	\$ 272,631	\$ -	\$ 33,008
System's covered-employee payroll	\$ 175,778,524	\$ 175,778,524	\$ 144,700,282	\$ 152,194,773	\$ 154,782,123	\$ 140,369,452	\$ 119,305,259
Contributions as a percentage of covered employee payroll	41.03%	33.40%	44.31%	41.77%	35.05%	32.62%	27.64%

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

Teachers Retirement System Plan

Last 10 Fiscal Years ¹

	2020	2019	2018	2017	2016	2015
Contractually required contribution	2,431,612	2,393,909	922,727	\$ 889,376	\$ 943,917	\$ 909,799
Contributions in relation to the contractually required contribution	(1,860,654)	(1,234,134)	(569,543)	(1,323,934)	(1,516,991)	(1,343,282)
Contribution deficiency (excess)	\$ 570,958	\$ 1,159,775	\$ 353,184	\$ (434,558)	\$ (573,074)	\$ (433,483)
System's covered-employee payroll	\$ 4,728,567	\$ 4,728,567	\$ 3,652,263	\$ 4,127,906	\$ 3,930,206	\$ 3,813,448
Contributions as a percentage of covered employee payroll	39.35%	26.10%	15.59%	32.07%	38.60%	35.22%

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

Connecticut State University System

Schedule of Contributions (Unaudited)

June 30, 2020 – 2014

CSCU

Other Post Employment Benefits

Last 10 Fiscal Years ¹

	2020	2019	2018	2017
Contractually required contribution	48,745,744	44,676,991	38,553,325	36,046,001
Contributions in relation to the contractually required contribution	(48,745,744)	(44,676,991)	(38,553,325)	(36,046,001)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
System's covered-employee payroll	\$ 234,304,156	\$ 246,718,621	\$ 251,238,643	\$ 260,590,503
Contributions as a percentage of covered employee payroll	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. Changes in Benefit Terms

Pension Plans

Changes of benefit terms:

- Beginning July 1, 2019, annual interest credited on mandatory contributions set at 4.0%.
- For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of the benefit commencement, the difference is paid to the Member's beneficiary.

Changes of assumptions:

The changes in assumptions are summarized below:

- Reduce the inflation assumption from 2.75% to 2.50%.
- Reduce the real rate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.00% to 6.90%.
- Increase the annual rate of wage increase assumption from 0.50% to 0.75%.
- Phase in to a level dollar amortization method for the June 30, 2024 valuation.

State Employee OPEB Plan

- The discount rate was updated in accordance with GASB Statement No. 75 to 3.58% as of June 30, 2020 and 3.95% as of June 30, 2019.
- The mortality rates for SERS, ARP, Hybrid and other were updated to be consistent with the corresponding retirement plan assumptions.
- Per capita health costs, administrative expenses, and retiree contributions were updated for recent experience.
- Health care trend rates and retiree contribution increase rates were adjusted.



	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2020	2019
Assets								
Current assets:								
Cash and cash equivalents	\$ 68,572,053	\$ 31,641,024	\$ 57,908,499	\$ 22,426,861	\$ 26,134,279	\$ -	\$ 206,682,716	\$ 213,951,794
Investments	-	-	-	-	106,039,932	-	106,039,932	121,196,238
Accounts receivable, net	5,285,353	1,933,860	3,736,018	1,784,819	-	-	12,740,050	10,882,233
Due from the State of Connecticut	17,040,168	9,215,177	14,339,631	9,641,088	5,145,193	-	55,381,257	66,116,244
Due from SO and Universities	81,467	2,316,442	800,973	590,539	-	(3,789,421)	-	-
Prepaid expenses and other current assets	3,064,004	787,979	1,320,880	49,176	1,597,640	-	6,819,679	8,788,484
Total current assets	94,043,045	45,894,482	78,106,001	34,492,483	138,917,044	(3,789,421)	387,663,634	420,934,993
Noncurrent assets:								
Cash and cash equivalents	14,652,582	14,910,568	28,477,260	1,126,462	79,892,677	-	139,059,549	143,875,419
Investments	-	-	-	-	34,517,743	-	34,517,743	33,196,032
Accounts receivable, net	1,255,703	448,273	728,869	1,264,954	-	-	3,697,799	5,524,343
Other assets	-	-	157,758	13,531	12,003	-	183,292	200,215
Investment in plant	613,281,799	512,567,818	608,411,154	433,179,672	41,549,557	-	2,208,990,000	2,144,744,372
Accumulated depreciation	(269,477,776)	(190,747,650)	(307,842,283)	(193,315,149)	(17,048,842)	-	(978,431,700)	(919,883,608)
Investment in plant, net of accumulated depreciation	343,804,023	321,820,168	300,568,871	239,864,523	24,500,715	-	1,230,558,300	1,224,860,764
Total noncurrent assets	359,712,308	337,179,009	329,932,758	242,269,470	138,923,138	-	1,408,016,683	1,407,656,773
Total assets	\$ 453,755,353	\$ 383,073,491	\$ 408,038,759	\$ 276,761,953	\$ 277,840,182	\$ (3,789,421)	\$ 1,795,680,317	\$ 1,828,591,766
Deferred outflows of resources:								
Deferred pension	\$ -	\$ -	\$ -	\$ -	\$ 331,267,755	\$ -	\$ 331,267,755	267,668,475
Deferred other post employment benefits	-	-	-	-	367,238,214	-	367,238,214	52,286,937
Deferred loss on bond refunding	-	-	-	-	842,046	-	842,046	995,577
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 699,348,015	\$ -	\$ 699,348,015	\$ 320,950,989

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2020	2019
Liabilities								
Current liabilities:								
Accounts payable	\$ 6,918,587	\$ 3,260,406	\$ 3,381,330	\$ 2,074,079	\$ 1,939,397	\$ -	\$ 17,573,799	\$ 22,752,253
Accrued salaries and benefits	25,871,845	12,345,215	23,528,658	11,688,888	484,830	-	73,919,436	60,948,741
Accrued compensated absences	1,881,585	851,661	1,503,648	977,664	101,908	-	5,316,466	4,492,445
Due to the State of Connecticut	24,289	-	315,169	-	406,860	-	746,318	4,825,126
Due to SO and Universities	-	-	-	-	3,789,421	(3,789,421)	-	-
Unearned tuition, fees and grant revenue	7,141,148	1,869,085	10,134,796	3,497,808	19,432	-	22,662,269	22,737,074
Bonds payable	-	-	-	-	18,345,000	-	18,345,000	19,520,000
Accrued bond interest payable	-	-	-	-	2,314,059	-	2,314,059	2,355,106
Other liabilities	311,538	51,527	2,310,491	374,786	232,969	-	3,281,311	2,827,365
Depository accounts	1,900,766	1,007,778	3,355,537	448,224	7,670	-	6,719,975	5,304,874
Total current liabilities	<u>44,049,758</u>	<u>19,385,672</u>	<u>44,529,629</u>	<u>19,061,449</u>	<u>27,641,546</u>	<u>(3,789,421)</u>	<u>150,878,633</u>	<u>145,762,984</u>
Noncurrent liabilities:								
Accrued compensated absences	21,697,172	11,856,842	20,650,510	12,406,804	1,817,271	-	68,428,599	60,463,728
Bonds payable	-	-	-	-	334,986,976	-	334,986,976	356,230,676
Federal loan program advances	1,343,504	969,357	1,708,255	1,441,641	-	-	5,462,757	9,107,511
Deferred compensation	-	-	-	-	317,915	-	317,915	288,357
Pension liability, net	-	-	-	-	1,074,431,967	-	1,074,431,967	907,005,570
Other post employment benefits, net	-	-	-	-	1,338,986,646	-	1,338,986,646	961,772,722
Total noncurrent liabilities	<u>23,040,676</u>	<u>12,826,199</u>	<u>22,358,765</u>	<u>13,848,445</u>	<u>2,750,540,775</u>	<u>-</u>	<u>2,822,614,860</u>	<u>2,294,868,564</u>
Total liabilities	<u>\$ 67,090,434</u>	<u>\$ 32,211,871</u>	<u>\$ 66,888,394</u>	<u>\$ 32,909,894</u>	<u>\$ 2,778,182,321</u>	<u>\$ (3,789,421)</u>	<u>\$ 2,973,493,493</u>	<u>\$ 2,440,631,548</u>
Deferred inflows of resources:								
Deferred pension	\$ -	\$ -	\$ -	\$ -	\$ 23,621,531	\$ -	\$ 23,621,531	\$ 30,128,242
Deferred other post employment benefits	-	-	-	-	115,194,745	-	115,194,745	100,438,398
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,816,276</u>	<u>\$ -</u>	<u>\$ 138,816,276</u>	<u>\$ 130,566,640</u>
Net Position								
Invested in capital assets, net of related debt	\$ 343,800,672	\$ 321,737,495	\$ 300,568,871	\$ 239,864,523	\$ (112,645,364)	\$ -	\$ 1,093,326,197	\$ 1,076,183,307
Restricted:								
Nonexpendable	-	60,000	-	407,116	-	-	467,116	467,116
Expendable	7,833,765	3,149,611	5,501,468	3,328,487	4,212,689	-	24,026,020	32,597,905
Unrestricted	<u>35,030,482</u>	<u>25,914,514</u>	<u>35,080,026</u>	<u>251,933</u>	<u>(1,831,377,725)</u>	<u>-</u>	<u>(1,735,100,770)</u>	<u>(1,530,903,761)</u>
Total net position	<u>\$ 386,664,919</u>	<u>\$ 350,861,620</u>	<u>\$ 341,150,365</u>	<u>\$ 243,852,059</u>	<u>\$ (1,939,810,400)</u>	<u>\$ -</u>	<u>\$ (617,281,437)</u>	<u>\$ (421,655,433)</u>

Connecticut State University System

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

June 30, 2020 and 2019

CSCU

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2020	2019
Operating revenues:								
Tuition and fees:								
Tuition and fees, gross	\$ 122,524,208	\$ 54,002,048	\$ 116,346,467	\$ 59,843,575	\$ -	\$ -	\$ 352,716,298	\$ 348,786,879
Less:								
Scholarships allowance	(10,263,282)	(11,571,204)	(8,330,092)	(6,247,939)	-	-	(36,412,517)	(35,931,115)
Waivers	(5,884,031)	(2,607,470)	(10,367,784)	(1,967,043)	-	-	(20,826,328)	(19,497,670)
Tuition and fees, net of scholarship allowances and waivers	106,376,895	39,823,374	97,648,591	51,628,593	-	-	295,477,453	293,358,094
Federal grants and contracts	3,793,147	865,437	2,936,840	1,105,756	-	-	8,701,180	7,633,521
State and local grants and contracts	4,188,307	1,625,074	4,365,422	1,456,708	-	-	11,635,511	10,490,974
Nongovernment grants and contracts	1,841,032	710,090	4,261,114	57,664	-	-	6,869,900	6,184,590
Indirect cost recoveries	390,672	154,730	220,626	-	-	-	766,028	698,086
Auxiliary revenues	23,431,956	23,763,485	21,986,518	18,289,404	-	-	87,471,363	112,247,344
Other operating revenues	4,159,851	946,212	2,178,102	1,074,850	-	-	8,359,015	7,867,262
Total operating revenues	144,181,860	67,888,402	133,597,213	73,612,975	-	-	419,280,450	438,479,871
Operating expenses:								
Salaries and wages	105,820,473	59,751,025	110,546,516	63,018,168	4,329,932	-	343,466,114	323,090,807
Fringe benefits	67,831,750	39,931,115	69,570,300	41,201,169	177,246,411	-	395,780,745	279,875,673
Professional services and fees	4,788,380	2,825,070	6,393,303	3,718,201	1,477,673	-	19,202,627	18,580,441
Educational services and support	43,030,834	16,504,019	41,007,556	20,937,585	12,600	-	121,492,594	114,436,008
Travel expenses	1,955,420	713,892	1,487,342	652,715	97,956	-	4,907,325	6,922,974
Operation of facilities	19,460,320	7,183,538	10,598,050	10,043,321	117,384	-	47,402,613	54,788,955
Other operating supplies and expenses	5,401,080	3,631,708	5,772,843	5,058,252	12,326,180	-	32,190,063	32,743,332
Depreciation expense	16,754,466	15,972,155	20,598,377	13,250,912	576,220	-	67,152,130	65,269,441
Amortization expense	-	-	31,037	6,850	-	-	37,887	55,968
Total operating expenses	265,042,723	146,512,522	266,005,324	157,887,173	196,184,356	-	1,031,632,098	895,763,599
Operating loss	\$ (120,860,863)	\$ (78,624,120)	\$ (132,408,111)	\$ (84,274,198)	\$ (196,184,356)	\$ -	\$ (612,351,648)	\$ (457,283,728)

Connecticut State University System

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

June 30, 2020 and 2019

CSCU

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2020	2019
Nonoperating revenues (expenses)								
State appropriations	\$ 87,260,463	\$ 54,527,601	\$ 82,758,567	\$ 51,971,203	\$ 7,366,266	\$ -	\$ 283,884,100	\$ 282,099,732
Pell grant revenue	14,680,693	6,964,583	15,941,138	7,492,005	-	-	45,078,419	45,614,221
Federal emergency grant revenue	7,378,482	3,379,670	6,197,754	3,965,874	-	-	20,921,780	-
Gifts	2,907,450	529,993	148,696	62,257	-	-	3,648,396	4,459,676
Investment income	1,380,698	826,398	1,448,810	463,232	3,809,379	-	7,928,517	11,391,387
Interest expense	-	-	-	-	(11,670,523)	-	(11,670,523)	(11,456,038)
Capital projects financed by SO	806,711	9,501,896	1,653,863	1,920,537	(13,883,007)	-	-	-
Other nonoperating revenues (expenses), net	540,931	22,562	418,346	433,758	-	-	1,415,597	1,149,407
Net nonoperating revenues (expenses)	114,955,428	75,752,703	108,567,174	66,308,866	(14,377,885)	-	351,206,286	333,258,385
Loss before other changes in net position	(5,905,435)	(2,871,417)	(23,840,937)	(17,965,332)	(210,562,241)	-	(261,145,362)	(124,025,343)
Other changes in net position								
State appropriations restricted for capital purposes	34,786,619	4,600,871	9,940,882	17,567,293	228,356	-	67,124,021	90,621,849
Loss on disposal of capital assets	(315,452)	(575,767)	(49,799)	(663,645)	-	-	(1,604,663)	(4,670,724)
Interagency transfers	(14,802,100)	(7,719,229)	(9,830,782)	(6,848,279)	39,200,390	-	-	-
Other changes in net position	19,669,067	(3,694,125)	60,301	10,055,369	39,428,746	-	65,519,358	85,951,125
Change in net position	13,763,632	(6,565,542)	(23,780,636)	(7,909,963)	(171,133,495)	-	(195,626,004)	(38,074,218)
Net position at beginning of year	372,901,287	357,427,162	364,931,001	251,762,022	(1,768,676,905)	-	(421,655,433)	(383,581,215)
Net position at end of year	\$ 386,664,919	\$ 350,861,620	\$ 341,150,365	\$ 243,852,059	\$ (1,939,810,400)	\$ -	\$ (617,281,437)	\$ (421,655,433)

Connecticut State University System

Supplemental Information – Combining Statements of Cash Flows

June 30, 2020 and 2019

CSCU

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2020	2019
Cash flows from operating activities:								
Tuition and fees	\$ 103,368,658	\$ 38,695,004	\$ 97,164,567	\$ 51,848,963	\$ -	\$ -	\$ 291,077,192	\$ 291,638,700
Grants and contracts	9,627,992	3,200,601	13,966,872	2,433,898	-	-	29,229,363	24,317,478
Auxiliary revenues	23,648,207	23,649,237	21,092,470	18,297,250	-	-	86,687,164	112,138,530
Other operating revenues	5,102,365	1,846,665	4,187,576	1,860,854	-	-	12,997,460	12,980,227
Payments to employees for salaries and benefits	(169,863,566)	(97,049,618)	(173,664,081)	(100,472,441)	(6,668,936)	-	(547,718,642)	(540,340,877)
Payments to suppliers	(1,476,464)	(451,882)	626,190	(2,100,660)	(353,868)	-	(3,756,684)	(4,835,592)
Professional services and fees	(4,788,380)	(2,825,070)	(6,393,303)	(3,718,201)	(1,477,673)	-	(19,202,627)	(18,580,441)
Educational services and support	(43,031,026)	(16,504,019)	(41,007,556)	(20,937,585)	(12,600)	-	(121,492,786)	(114,435,815)
Travel expenses	(1,955,420)	(713,892)	(1,487,342)	(652,715)	(97,956)	-	(4,907,325)	(6,922,974)
Operation of facilities	(19,460,320)	(9,694,566)	(10,598,050)	(10,043,321)	(117,335)	-	(49,913,592)	(57,736,002)
Other operating supplies and expenses	(5,290,878)	(358,495)	(5,135,534)	(2,092,440)	(11,444,892)	-	(24,322,239)	(22,935,393)
Net cash used in operating activities	(104,118,832)	(60,206,035)	(101,248,191)	(65,576,398)	(20,173,260)	-	(351,322,716)	(324,712,159)
Cash flows from noncapital financing activities:								
State appropriations	86,340,620	55,307,508	81,900,196	52,641,461	7,361,578	-	283,551,363	291,433,387
Gifts for other than capital purposes	2,907,449	529,993	148,696	62,257	-	-	3,648,395	4,459,676
Nonoperating grants and revenue other	20,806,858	9,876,984	21,899,099	11,701,172	-	-	64,284,113	47,514,140
Interagency transfers	(14,802,100)	(7,719,229)	(9,830,782)	(6,848,279)	39,200,390	-	-	-
Net cash provided by noncapital financing activities	\$ 95,252,827	\$ 57,995,256	\$ 94,117,209	\$ 57,556,611	\$ 46,561,968	\$ -	\$ 351,483,871	\$ 343,407,203
Cash flows from investing activities:								
Proceeds from sales and maturities of investments	\$ -	\$ -	\$ -	\$ -	\$ 49,069,490	\$ -	49,069,490	\$ 54,726,964
Purchases of investments	-	-	-	-	(35,234,896)	-	(35,234,896)	(111,172,515)
Interest and dividends received on investments	1,380,521	826,398	1,887,129	463,232	3,926,284	-	8,483,564	11,154,010
Net cash provided by (used in) investing activities	1,380,521	826,398	1,887,129	463,232	17,760,878	-	22,318,158	(45,291,541)
Cash flows from capital and related financing activities:								
Cash paid for capital assets	(33,050,119)	(18,581,540)	(11,440,548)	(14,679,875)	(716,098)	-	(78,468,180)	(109,498,117)
Capital projects financed by SO	1,005,520	11,816,733	1,009,124	1,536,587	(15,367,964)	-	-	-
State capital appropriations received	34,786,619	4,600,871	10,422,763	17,567,294	10,258,975	-	77,636,522	97,577,198
Proceeds from new bond issuance	-	-	-	-	-	-	-	78,079,212
Proceeds from refunding of bonds	-	-	-	-	-	-	-	23,346,283
Repayments of capital debt	-	-	-	-	(19,520,000)	-	(19,520,000)	(18,940,000)
Interest paid on capital debt	-	-	-	-	(14,212,603)	-	(14,212,603)	(13,089,006)
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	(40,366,094)
Bond issuance payments	-	-	-	-	-	-	-	(750,512)
Net cash provided by capital and related financing activities	2,742,020	(2,163,936)	(8,661)	4,424,006	(39,557,690)	-	(34,564,261)	16,358,964
Net increase (decrease) in cash and cash equivalents	(4,743,464)	(3,548,317)	(5,252,514)	(3,132,549)	4,591,896	-	(12,084,948)	(10,237,533)
Cash and cash equivalents, beginning of year	87,968,099	50,099,909	91,638,273	26,685,872	101,435,060	-	357,827,213	368,064,746
Cash and cash equivalents, end of year	\$ 83,224,635	\$ 46,551,592	\$ 86,385,759	\$ 23,553,323	\$ 106,026,956	\$ -	\$ 345,742,265	\$ 357,827,213

Connecticut State University System

Supplemental Information – Combining Statements of Cash Flows

June 30, 2020 and 2019

CSCU

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2020	2019
Reconciliation of operating loss to net cash used in operating activities:								
Operating loss	\$ (120,860,863)	\$ (78,624,120)	\$ (132,408,111)	\$ (84,274,198)	\$ (196,184,356)	\$ -	\$ (612,351,648)	\$ (457,283,728)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	16,754,466	15,972,155	20,598,377	13,250,912	576,220	-	67,152,130	65,269,441
Amortization	-	-	31,037	6,850	-	-	37,887	55,968
Changes in assets and liabilities:								
Receivables	(246,876)	(45,334)	337,483	(76,546)	-	-	(31,273)	1,322,978
Prepaid expenses and other	77,121	20,139	(385,409)	510,869	1,896,972	-	2,119,692	(1,415,754)
Accounts payable	(2,231,504)	270,982	1,274,618	474,869	(1,369,553)	-	(1,580,588)	3,087,138
Accrued salaries and benefits	1,690,002	3,590,912	4,558,677	3,131,075	29	-	12,970,695	(10,024,260)
Other liabilities	42,454	19,182	-	(120,585)	1	-	(58,948)	569,404
Due to/from State of Connecticut	(74)	(2,475,112)	75,771	(2,086,253)	406,860	-	(4,078,808)	(998,829)
Due to/from Universities	(241)	-	192	-	49	-	-	-
Unearned tuition, fees and grant revenues	(2,106,294)	(698,611)	2,226,921	503,179	-	-	(74,805)	590,424
Deferred compensation	-	-	-	-	29,558	-	29,558	31,383
Depository accounts	664,249	247,049	249,674	401,357	-	-	1,562,329	507,256
Accrued compensated absences	2,098,728	1,516,723	2,192,579	2,702,073	131,560	-	8,641,663	407,544
Pension liability	-	-	-	-	167,426,397	-	167,426,397	18,662,676
Other post employment benefits	-	-	-	-	377,213,924	-	377,213,924	(41,200,327)
Changes in deferred outflows and inflows of resources:								
Deferred pension contribution	-	-	-	-	(63,599,280)	-	(63,599,280)	37,695,680
Deferred other post employment benefit outflows	-	-	-	-	(314,951,277)	-	(314,951,277)	(2,930,282)
Deferred pension asset gains	-	-	-	-	(6,506,711)	-	(6,506,711)	10,835,026
Deferred other post employment benefit inflows	-	-	-	-	14,756,347	-	14,756,347	50,106,103
Net cash used in operating activities	<u>\$ (104,118,832)</u>	<u>\$ (60,206,035)</u>	<u>\$ (101,248,191)</u>	<u>\$ (65,576,398)</u>	<u>\$ (20,173,260)</u>	<u>\$ -</u>	<u>\$ (351,322,716)</u>	<u>\$ (324,712,159)</u>
Noncash investing, noncapital financing and capital and related financing transactions:								
Fixed assets included in accounts payable	\$ 1,188,053	\$ 2,614,423	\$ 1,037,195	\$ 900,900	\$ -	\$ -	\$ 5,740,571	\$ 7,179,921
Reconciliation of cash and cash equivalents to the combined statements of net assets:								
Cash and cash equivalents classified as current assets	\$ 68,572,053	\$ 31,641,024	\$ 57,908,499	\$ 22,426,861	\$ 26,134,279	\$ -	\$ 206,682,716	\$ 213,951,794
Cash and cash equivalents classified as noncurrent assets	<u>14,652,582</u>	<u>14,910,568</u>	<u>28,477,260</u>	<u>1,126,462</u>	<u>79,892,677</u>	<u>-</u>	<u>139,059,549</u>	<u>143,875,419</u>
	<u>\$ 83,224,635</u>	<u>\$ 46,551,592</u>	<u>\$ 86,385,759</u>	<u>\$ 23,553,323</u>	<u>\$ 106,026,956</u>	<u>\$ -</u>	<u>\$ 345,742,265</u>	<u>\$ 357,827,213</u>

Connecticut State University System**Supplemental Information – Combining Statement of Cash Flows**

June 30, 2020 and 2019

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
Community Colleges**

2020

Financial Statements

INCLUDING

Required Supplementary Information
Additional Supplemental Information

June 30, 2020

Connecticut Community Colleges Mission Statement

As part of the Connecticut State Colleges & Universities (CSCU) system, the twelve Connecticut Community Colleges share a mission to make excellent higher education and lifelong learning affordable and accessible. Through unique and comprehensive degree and certificate programs, non-credit life-long learning opportunities and job skills training programs, they advance student aspirations to earn career-oriented degrees and certificates and to pursue their further education. The Colleges nurture student learning and success to transform students and equip them to contribute to the economic, intellectual, civic, cultural and social well-being of their communities. In doing so, the Colleges support the state, its businesses and other enterprises and its citizens with a skilled, well-trained and educated workforce.



**Members of the Board of Regents for Higher Education
(Between 7/1/19 – 6/30/20)**

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

REGENTS AS OF 6/30/20

(Two vacancies: both legislative appointees.)

Matt Fleury, Chair
Merle W. Harris, Vice Chair
Richard J. Balducci
Aviva D. Budd
Naomi K. Cohen
Felice Gray-Kemp
Holly Howery
David R. Jimenez
JoAnn Ryan
Elease E. Wright
Monica Maldonado, SAC, Chair
Elena Ruiz, Vice Chair of Student Advisory Committee

EX-OFFICIO, NON-VOTING MEMBERS

David Blitz –Chair of the Faculty Advisory Committee
Colena Sesanker – Vice Chair of the Faculty Advisory Committee
Kurt Westby – Commissioner of the CT Department of Labor
Dr. Miguel A. Cardona – Commissioner of the State Department of Education
David Lehman – Commissioner of Department of Economic and Community Development (joined March 2019)
Dr. Deidre Gifford - Acting Commissioner CT Dept. of Public Health

EX-OFFICIO, NON-VOTING MEMBERS

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

Former Board members (who served between 7/1/19 – 6/30/20)

Pete Rosa

Renée D. Coleman-Mitchell, Former Commissioner, Department of Public Health

Connecticut Community College Presidents/CEOs 7/1/2019 through 6/30/2020¹

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

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

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

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

Gateway Community College
20 Church Street
New Haven, CT 06510
Dr. William (Terry) Brown, Campus CEO

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

Housatonic Community College
900 Lafayette Boulevard
Bridgeport, CT 06604
Dr. Dwyane Smith, Campus CEO

Quinebaug Valley Community College
742 Upper Maple Street
Danielson, CT 06239
Dr. Rose Ellis, Campus CEO

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

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

Middlesex Community College
100 Training Hill Road
Middletown, CT 06457
Dr. Steven Minkler, Campus CEO

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

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

¹ Where 6/30/2020 is last date, successor effective 7/1/2020 is also included.

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Introduction

Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Connecticut Community Colleges ("CCC" or "The System") and its component units for the fiscal year ended June 30, 2020. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

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

The Connecticut Community Colleges is a state-wide system of twelve regional community colleges. During the fall 2019 semester, 45,905 students enrolled in credit courses and Full-Time Equivalent ("FTE") enrollment was 26,418. During calendar year 2020, approximately 19,500 students also took a variety of non-credit skill-building programs. The CCC's offer two-year associate degrees and transfer programs, short-term certificates, and individual coursework in both credit and non-credit programs, often through partnerships with business and industry. In total, CCC employed approximately 1,200 full time employees at June 30, 2020.

The CCC system is composed of twelve institutions that make up the primary reporting entity. The primary reporting entity is financially accountable for the organizations that make up its legal entity. The System's twelve primary institutions include the following community colleges:

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

The CCC's serve 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 CCC's 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.

Using the Financial Statements

CCC's financial report includes the following financial statements: 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"). GASB Statement No. 35 established standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of the System as a whole. As required by GASB Statements No. 34 and 35, fiscal year 2020 and 2019 financial statements and footnotes are presented for the CCC *primary institution*, as well as for certain other organizations that have a significant related party relationship with CCC (the "component units").

The component units are the twelve college foundations (the "Foundations") and the Great Path Academy ("GPA"), a magnet high school at Manchester Community College ("MCC"). Magnet high schools which are operating on CCC campuses are legally separate, tax-exempt non-profit organizations. Each magnet school established is evaluated for inclusion within the System financial statements as a component unit. The Great Path Academy at MCC meets the criteria for inclusion as a component unit in the financial statements of CCC and is discretely presented and identified in a single column on the face of the CCC financial statements. The 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 the majority of the Colleges' endowments. However, the assets of these component units are not available to CCC for use at its discretion. The MD&A discusses CCC's financial statements only and not those of its component units.

Financial Highlights

The Connecticut Community Colleges had total assets of \$883.4 million, liabilities of \$2.2 billion, and a total net position balance of (\$824.9) million at June 30, 2020. Of the total net position balance, (\$1.5) billion is classified as unrestricted net position, a \$141.7 million decrease from 2019. The large negative balance in unrestricted net position is a result of the adoption of GASB 68 (Pensions) in fiscal year 2015 and GASB 75 (Other Post-Employment Benefits) in fiscal year 2018. Adoption of GASB 68 required the System to recognize a net liability for pension plans, which was previously disclosed only at the State level. The adoption of GASB 75 required the System to recognize the net liability for other post-employment benefits (OPEB). The offset to the net pension and OPEB liabilities was a reduction in unrestricted net position as further discussed below.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were \$125.1 million, a 6.6% decrease from the previous year. Operating expenses were \$691.5 million, an increase of 16.2% from the previous year, resulting in an operating loss of \$566.3 million during the year ended June 30, 2020. The increase in operating expenses is mainly due to increase in the pension and OPEB expenses recorded for fiscal year 2020. Without reflecting that expense, CCC operating expenses increased to \$556.9 million from \$541.3 million from in fiscal year 2019, just 2.9%. Net non-operating revenues and other changes were \$408.8 million, up 5.2% from the previous year, which was primarily the result of \$9.2M in Federal emergency grant revenue, which the System received from the Coronavirus Aid, Relief, and Economic Security Act ("CARES"): Higher Education Emergency Relief Fund, and an increase in appropriations of \$11.7 million. Overall the CCC's experienced a decrease in net position of \$157.5 million during fiscal year 2020.

Cash and cash equivalents were \$125.0 million at June 30, 2020, including \$13.7 million of cash equivalents in the form of unspent State bond appropriations administered by the CCC's, and \$21.7 million of unspent State bond appropriations administered by the Department of Administration Services ("DAS") on behalf of the System. Total current assets were \$176.1 million at June 30, 2020, a decrease of \$10.5 million. The current ratio identifies the amount of resources available to meet current obligations. This ratio of unrestricted current assets of \$139.0 million to unrestricted current liabilities of \$66.7 million is 2.1:1 in 2020, and was 2.2:1 in 2019. The current ratio reflects a financial position sufficient to provide short-term liquidity. However, as the State continues to address budget shortfalls over the next few years, management will continue to carefully monitor liquidity metrics. Non-current liabilities increased \$25.6 million from \$1.7 billion at June 30, 2019 to \$2.1 billion at June 30, 2020. This significant

liability includes \$920.9 million for the CCC allocation of the state pension plan obligation, \$1.1 billion for the CCC allocation of the state's OPEB obligation and \$37.1 million for the long-term portion of the accrued value of benefits, other than pension and OPEB, 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).

Statement of Net Position

The Statement of Net Position presents the overall financial position of the System at the end of the fiscal year, and includes all assets and liabilities of the Connecticut Community Colleges, including capital assets net of accumulated depreciation. The change in Net Position is one indicator of whether the overall financial condition of CCC has improved or worsened during the year.

Condensed Statements of Net Position

June 30, 2020 and 2019

(in thousands)

	2020	2019	% Change
ASSETS			
Current assets	\$ 176,139	\$ 186,611	-5.6%
Non-current assets	707,232	718,296	-1.5%
Total assets	<u>883,371</u>	<u>904,907</u>	<u>-2.4%</u>
DEFERRED OUTFLOWS OF RESOURCES	558,096	262,286	112.8%
LIABILITIES			
Current liabilities	71,098	71,058	0.1%
Non-current liabilities	2,086,073	1,661,154	25.6%
Total liabilities	<u>2,157,171</u>	<u>1,732,212</u>	<u>24.5%</u>
DEFERRED INFLOWS OF RESOURCES	109,161	102,360	6.6%
NET POSITION			
Invested in capital assets - net of related debt	706,804	718,061	-1.6%
Restricted nonexpendable	20	20	0.0%
Restricted expendable	35,724	40,209	-11.2%
Unrestricted	(1,567,414)	(1,425,669)	-9.9%
Total net position	<u>\$ (824,866)</u>	<u>\$ (667,379)</u>	<u>-23.6%</u>

Current assets consist of cash and cash equivalents and accounts receivable. The \$10.5 million decrease in current assets from the previous year is largely attributable to a \$12.0 million decrease in the cash and cash equivalents. Cash equivalents fluctuate as sizeable building projects are funded and then expended over a period of two to three years. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short Term Investment Fund ("STIF") on behalf of State agencies. The CCC's do not carry any other separate investments.

Non-current assets decreased 1.5% from \$718.3 million at June 30, 2019, to \$707.2 million at June 30, 2020. Net capital assets account for all but \$0.4 million of non-current assets, which represents student loan receivables. At June 30, 2020, capital assets in service totaled \$1.1 billion, offset by \$423.0 million in accumulated depreciation. Additions include \$5.1 million in various site and building improvements across the campuses and \$1.2 million in

technology across the campuses. There were \$13.4 million in additions to Construction in Progress, including \$6.2 million in Naugatuck Valley renovations to physical plant, \$2.8 million in site improvements at Naugatuck Valley, \$1.5 million in Housatonic structure improvements, and \$1.3 million in ventilation work at Asnuntuck. Completed projects included \$1.1 million in total for HVAC work, lab renovations, façade repairs, and other various projects. In total, capital asset additions of \$23.1 million were offset by current year depreciation of \$30.1 million.

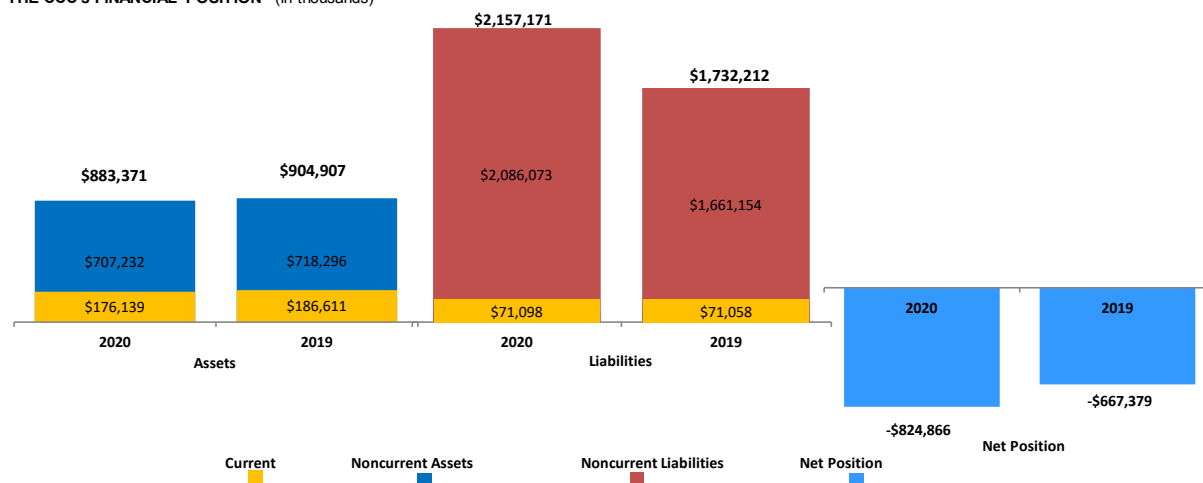
Current liabilities consist primarily of accrued payroll and related benefits of \$43.7 million and unearned tuition, fees and grant revenue of \$15.0 million, primarily collected in advance for late-summer and fall 2020 academic terms. Additional current liabilities include vendor accounts payable of \$5.1 million, retainage of \$0.5 million, and \$3.2 million for the estimated value of accrued compensated absences that will be paid within the coming year to employees who terminate or retire.

Non-current liabilities consist almost exclusively of \$920.9 million in pension liability, \$1.1 billion in OPEB liability and \$37.1 million of long-term accrued compensated absences ("ACA") to be paid out to terminating employees over time in the future beyond one year. *Pension liabilities* represent the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability. *Other post-employment benefits* liability represents the System's proportionate share of the State's OPEB liability as a whole. The pension and OPEB liabilities increased significantly in fiscal year 2020, an increase of \$125.2 million and \$298.3 million, respectively.

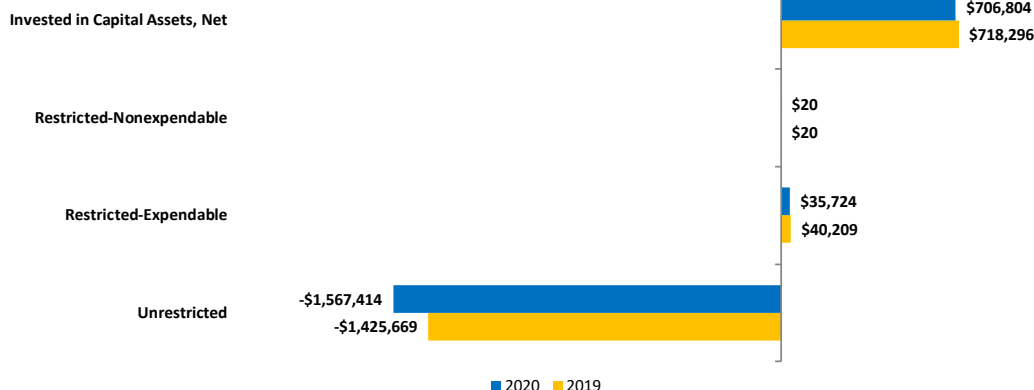
Total liabilities were \$2.2 billion at the end of fiscal year 2020 and \$1.7 billion at the end of fiscal year 2019, and the increase is driven primarily by the \$423.4-million-dollar increase in the net pension and net OPEB liabilities. The total ACA liability of \$40.4 million (long-term and current), pension liability of \$920.0 million and OPEB liability of \$1.1 billion, represents approximately fifteen times the existing unrestricted current assets that are available to pay for these previously earned employee benefits, and causes the reported unrestricted net position balance to be negative. In practice, however, much of these payouts are funded through current-year revenues rather than through existing net position.

Deferred inflows and outflows 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.

THE CCC's FINANCIAL POSITION (in thousands)



THE CCC's NET POSITION (in thousands)



The *total net position* includes \$706.8 million *Invested in capital assets* net of depreciation. The Connecticut Community Colleges do not carry any capital debt, as property acquisitions, facility construction and major renovations are financed by capital appropriations made to one or more of the CCC's. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in the CCC financial statements. The Connecticut Community Colleges continue to implement a long-range capital plan to provide for new and renovated campus facilities necessary to meet academic program needs.

The \$22.4 million in bond fund appropriations in fiscal year 2020 was for System administered projects, repairs, and equipment. The System-administered dollars funded a variety of small projects and IT initiatives.

The CCC's have a minimal level of *Restricted-Nonexpendable* net position 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 here represents primarily bond fund appropriation balances at June 30, 2020 (\$11.9 million in funds managed by the CCC's and \$21.2 million for projects managed by DAS), funds held in restricted accounts pending distribution under the terms of the Board's collective bargaining agreement with its professional unions, as well as private gifts and donations, mostly for scholarships, whose revenues have been recognized but not yet expended. Changes in restricted-expendable net position are related primarily to the change in bond fund appropriation revenues and expenses in connection with various facility projects.

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 decreased by \$7.3 million to \$32.6 million during fiscal year 2020. The table below illustrates the fluctuations in aggregate CCC UNP over the past six years adjusted for net pension liability beginning in fiscal year 2015 and net OPEB liability beginning in fiscal year 2017:

	FY15	FY16	FY17	FY18	FY19	FY20
UNP Adjusted	\$ 25.7	\$ 37.7	\$ 45.7	\$ 44.9	\$ 39.9	\$ 32.6
UNP	\$ (475.9)	\$ (466.0)	\$ (1,374.8)	\$ (1,366.8)	\$ (1,425.7)	\$ (1,567.4)

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents CCC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2020 were \$125.2 million after the reduction for scholarship allowances, a decrease of 6.6% from \$134.0 million in fiscal year 2019. *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 \$92.7 million. This differs from budgetary practices, which recognize revenues on a gross basis without offset for scholarship allowances. On a gross basis,

fiscal year 2020 tuition revenues decreased by 3.8% from the previous year. These revenues reflect an FTE credit enrollment decrease of 4.7% in fiscal year 2020.

The Connecticut Community Colleges recorded an operating loss of \$566.3 million during the year ended June 30, 2020. 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 expense. Other non-operating activity includes private gifts and donations, investment income earned on cash balances invested by the State treasurer's office, and non-mandatory transfers between individual colleges and the System Office. The large increase in fringe benefits in fiscal year 2020 is a result of the pension and OPEB liabilities. The fringe on pension and OPEB expenses increased from \$54.0 million in fiscal year 2019 to \$134.4 million in fiscal 2020. The State general fund appropriation for salaries increased to \$175.1 million and the associated revenues to cover fringe benefit costs increased to \$125.8 million, a total increase of \$17.4 million. Bond fund appropriation revenues decreased from \$28.1 million in 2019 to \$22.4 million in 2020.

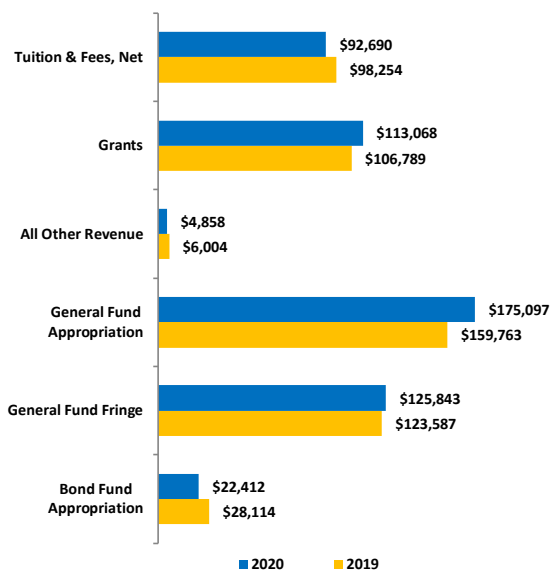
Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019
(in thousands)

	2020	2019	% Change
OPERATING REVENUES			
Tuition and fees, net	\$ 92,690	\$ 98,254	-5.7%
Grants and contracts	28,831	31,645	-8.9%
Other revenues	3,645	4,065	-10.3%
Total operating revenues	125,166	133,964	-6.6%
OPERATING EXPENSES			
Expenses before depreciation	661,298	564,733	17.1%
Depreciation	30,156	30,522	-1.2%
Total operating expenses	691,455	595,255	16.2%
Operating loss	(566,288)	(461,291)	22.8%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund	300,940	283,350	6.2%
State appropriations - bond fund	22,412	28,114	-20.3%
PELL grant revenue	75,036	75,144	-0.1%
Federal emergency grant revenue	9,201	-	N/A
Other nonoperating revenues, net	1,213	1,940	-37.5%
Total non-operating revenues	408,802	388,548	5.2%
NET POSITION			
Change in net position	(157,487)	(72,743)	-116.5%
Net position, beginning of year	(667,379)	(594,636)	-12.2%
Net position, end of year	\$ (824,866)	\$ (667,379)	-23.6%

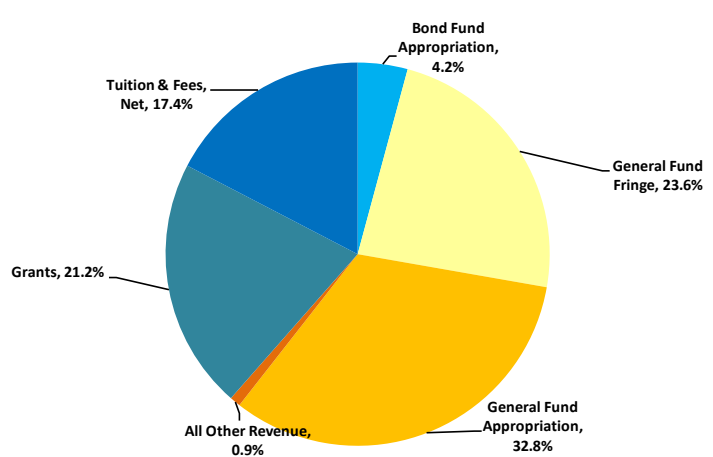
Government grant revenues are comprised primarily of student financial aid programs including the Supplemental Education Opportunity Grant ("SEOG") programs. Other government grants include funding for various program-related activities. Grant revenues (which includes non-operating Pell grants and non-operating Federal emergency grant revenue) at June 30, 2020 were \$113.1 million, an increase of \$6.3 million from the previous fiscal year. The Federal emergency grant revenue is the CARES Act grant revenue awarded to the colleges that was expended during fiscal year 2020.

Other operating and non-operating revenues totaled \$4.9 million, down from \$6.0 million in 2019. Other revenues include sales or commission revenues from college- or vendor-operated cafeterias, bookstores, and daycare centers, early childhood education, and food services.

REVENUE SUMMARY (in thousands)

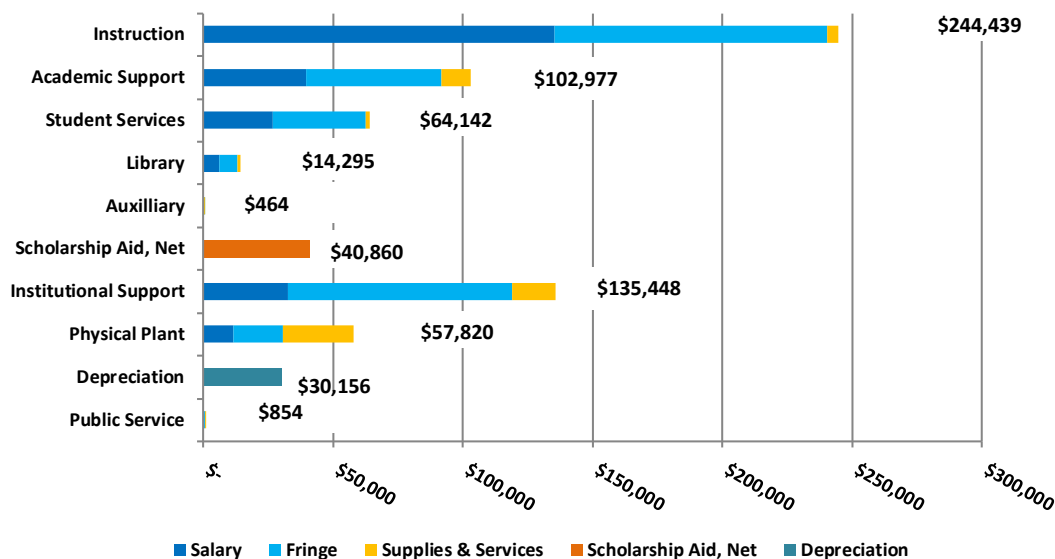


REVENUE DISTRIBUTION (FY 2020)

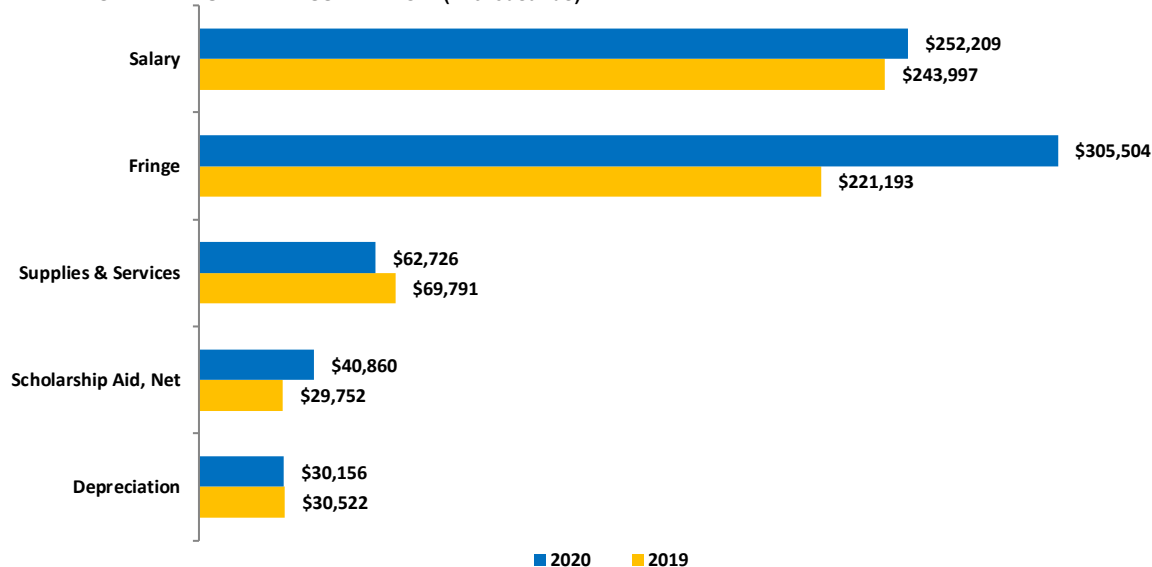


Total operating expenses for fiscal year 2020 were \$691.5 million, after reductions for the amount of student financial aid and waivers applied to student tuition and fees. This reflects an operating expense increase of 16.2% from \$595.3 million in fiscal year 2019. The \$96.2 million increase in fiscal year 2020 is primarily due to the change in pension and OPEB expense booked with GASB 68 and 75 requirements. Without reflecting that expense, CCC operating expenses increased to \$556.9 million from \$541.3 million, just 2.9%. Operating expenses include \$557.7 million for salary and wages and related fringe benefits, or 80.7% of total operating expense. In addition, operating expenses include \$40.9 million in net scholarship aid expense provided to students, \$30.2 million in depreciation expense and \$62.7 million for all other service and supply costs. 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.

OPERATING EXPENSES (in thousands)
by Program and Account Type



EXPENSE BY NATURAL CLASSIFICATION (in thousands)



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 \$87.0 million, down \$8.3 million from 2019, and receipts from government grants and contracts of \$23.9 million, down \$2.7 million from 2019. 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 \$248.4 million, down 0.5% from 2019, fringe benefits paid on behalf of employees of \$167.1 million, down 0.5% from 2019, vendor payments of \$71.3 million, down 5.0% from 2019 and payments to students of \$42.9 million, up 17.4% from 2019. Payments to students includes financial aid grants and loans (in excess of the amounts applied to tuition and fee charges), student work study or other employment, and tuition and fee refunds. The increase this year is due to the CARES Student Grants, which totaled \$9.1 million in 2020. Overall, net cash used by operating activities increased 3.1% during fiscal year 2020.

The largest inflow of cash related to *non-capital financing* is State appropriations, which were \$302.0 million, including general fund appropriations to cover salaries and related fringe benefits, and 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 Federal emergency grants (CARES) of \$85.5 million, private gift receipts of \$1.8 million and Federal Family Education Loan Program (FFELP) receipts of \$9.7 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 the CCC's directly, or by DAS on the System's behalf. During fiscal year 2020, capital financing net cash inflows of \$17.2 million reflected the receipt of bond appropriations, \$8.6 million of which was spent on college facility projects administered by DAS, and \$13.3 million for repairs and maintenance, capital equipment and system technology initiatives at the colleges and System office.

Cash provided by *investing activities* represents interest income earned on operating fund cash balances invested by the State treasurer on behalf of the System, and distributed quarterly. Cash inflows from the Short Term Investment Fund ("STIF") rose from \$1.4 million in fiscal year 2019 to \$1.9 million in fiscal year 2020.

Condensed Statements of Cash Flows
Year Ended June 30, 2020 and 2019
(in thousands)

	2020	2019	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	\$ (408,336)	\$ (396,126)	3.1%
Noncapital financing activities	399,040	387,537	-3.0%
Capital and related financing activities	(4,673)	(3,221)	45.1%
Investing activities	1,942	1,425	36.3%
Net change in cash and cash equivalents	(12,028)	(10,385)	-15.8%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	137,012	147,397	-7.0%
Cash and cash equivalents, end of year	\$ 124,984	\$ 137,012	-8.8%

Economic Outlook

Connecticut and CSCU are in a period of immense economic uncertainty. The COVID-19 pandemic and ensuing economic dislocation have caused major budget and operational disruption in higher education and throughout the economy. State tax revenues are very difficult to predict, particularly for Connecticut's highly volatile income tax collections from capital gains, self-employment, and small business sectors, each of which faces its own pandemic-related challenges. This may result in lower levels of state subsidy to support operations, and a more challenging environment in which to make organizational changes to improve student success.

The economic behavior of our students and prospective students is also very hard to predict. The decline in Community College enrollment has been over 15% compared to pre-pandemic conditions. CSCU, and higher education as an industry, must try to understand when and under what circumstances these students will return.

Connecticut Community Colleges

Management's Discussion and Analysis (Unaudited)

June 30, 2020

CSCU

This is key because CSCU was confronting an underlying weakness in enrollment throughout the system before the pandemic changed our operations. The system needs to find a way not simply to return to 2019 enrollment levels, but to increase enrollment to levels that can sustain CSCU's diverse footprint of institutions.

Finally, CSCU will need to adapt to the changes in the economy that occur as we recover from the loss of jobs and income that occurred in 2020. CSCU institutions must, for instance, adapt to changes in the staffing needs in healthcare, manufacturing, and criminal justice sectors as they change during this downturn and recovery. CSCU is a committed partner to the state in meeting its economic development goals, and that will require adaptation as the needs of the state develop.

CSCU continues to make unprecedented changes through the merger of community colleges, reorganization of back-office functions under shared services, and austerity demanded by the sudden drop in revenue experienced in the Fall of 2020. These changes will allow us to meet the longer-term changes in the economy by making CSCU more dynamic and resilient.

Additional Information

This financial report is designed to provide a general overview of CCC's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to the CSCU Chief Financial Officer, Connecticut State Colleges & Universities (860-723-0251). College-specific questions may also be directed to the Dean of Administration and/or Director of Finance at each individual college.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Regents of
Connecticut State Colleges and Universities

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Connecticut Community Colleges, an enterprise fund of the State of Connecticut (collectively, the "System") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregated discretely presented component units (the affiliated foundations (the "Foundations")), which statements reflect total assets of \$65.9 million and total net assets of \$63.8 million as of June 30, 2020, and total revenues, capital gains and losses, and other support of \$12.1 million for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Connecticut Community Colleges as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the System, an enterprise fund of the State of Connecticut and do not purport to, and do not present fairly, the financial position of the State of Connecticut as of June 30, 2020, the changes in its financial position or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 1 through 10 and the Schedule of Net Pension Liability and Related Ratios, Schedule of Net Other Post-Employment Benefits and Related Ratios, and Schedule of Contributions on pages 45 through 49 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Entity's basic financial statements. The supplemental Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Combining Statement of Net Position by Fund Group, and Combining

Statement of Revenues, Expenses and Changes in Net Position by Fund Group included on pages 51 through 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on 2019 summarized comparative information

We have previously audited the System's 2019 basic financial statements , and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated June 10, 2020. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

GRANT THORNTON LLP

Boston, Massachusetts
December xx, 2020

Connecticut Community Colleges

Combined Statements of Net Position

June 30, 2020 and 2019

CSCU

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 124,984,361	\$ 137,012,369
Accounts receivable, due from the State	33,608,127	30,141,227
Accounts receivable other, net	17,218,964	19,127,691
Prepaid expenses and other current assets	327,526	330,134
Total current assets	<u>176,138,978</u>	<u>186,611,422</u>
Non-current assets		
Investment in plant	1,129,852,592	1,117,088,049
Accumulated depreciation	<u>(423,048,898)</u>	<u>(399,026,754)</u>
Investment in plant, net of accumulated depreciation	706,803,694	718,061,295
Student loans, net	428,307	234,279
Total non-current assets	<u>707,232,001</u>	<u>718,295,574</u>
Total assets	<u>\$ 883,370,979</u>	<u>\$ 904,906,996</u>
Deferred outflows of resources		
Deferred pension	\$ 265,264,534	\$ 216,468,505
Deferred other post employment benefits	292,831,066	45,817,895
Total deferred outflows of resources	<u>\$ 558,095,600</u>	<u>\$ 262,286,400</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 5,075,780	\$ 6,091,989
Accrued expenses - salary and fringe benefits	43,738,440	40,600,862
Accrued compensated absences - current portion	3,282,959	3,145,344
Unearned tuition and grant revenue	15,020,483	14,996,470
Retainage	495,701	3,363,748
Agency and loan fund liabilities	2,464,589	2,059,983
Other liabilities	1,020,046	799,862
Total current liabilities	<u>71,097,999</u>	<u>71,058,258</u>
Non-current liabilities		
Pension liability, net	920,928,258	795,762,269
Other post employment benefits liability net	1,128,067,973	829,795,327
Accrued compensated absences - long term portion	37,077,217	35,554,815
Federal loan program advances	-	41,944
Total non-current liabilities	<u>2,086,073,448</u>	<u>1,661,154,355</u>
Total liabilities	<u>\$ 2,157,171,447</u>	<u>\$ 1,732,212,613</u>
Deferred inflows of resources		
Deferred pension	\$ 18,776,641	\$ 25,095,368
Deferred other post employment benefits	90,384,212	77,264,341
Total deferred inflows of resources	<u>\$ 109,160,853</u>	<u>\$ 102,359,709</u>
Net position		
Invested in capital assets, net	\$ 706,803,694	\$ 718,061,295
Restricted		
Nonexpendable	20,000	20,000
Expendable	35,724,382	40,209,248
Unrestricted	<u>(1,567,413,797)</u>	<u>(1,425,669,469)</u>
Total net position	<u>\$ (824,865,721)</u>	<u>\$ (667,378,927)</u>

Connecticut Community Colleges

Statements of Net Position – Component Unit – Magnet School

June 30, 2020 and 2019

CSCU

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,733,185	\$ 1,525,500
Accounts receivable, due from the State	15,078	51,998
Accounts receivable other, net	-	260,790
Total current assets	<u>2,748,263</u>	<u>1,838,288</u>
Non-current assets		
Investment in plant	32,322,939	32,322,939
Accumulated depreciation	<u>(9,663,222)</u>	<u>(8,832,521)</u>
Investment in plant, net of accumulated depreciation	22,659,717	23,490,418
Total assets	<u>\$ 25,407,980</u>	<u>\$ 25,328,706</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 358,343	\$ 224,262
Accrued expenses - salary and fringe benefits	50,517	52,397
Accrued compensated absences - current portion	<u>4,796</u>	<u>2,578</u>
Total current liabilities	<u>413,657</u>	<u>279,237</u>
Non-current liabilities		
Accrued compensated absences - long term portion	<u>53,060</u>	<u>29,829</u>
Total non-current liabilities	<u>53,060</u>	<u>29,829</u>
Total liabilities	<u>\$ 466,717</u>	<u>\$ 309,067</u>
Net position		
Invested in capital assets, net	\$ 22,659,717	\$ 23,490,418
Unrestricted	<u>2,281,545</u>	<u>1,529,221</u>
Total net position	<u>\$ 24,941,262</u>	<u>\$ 25,019,639</u>

Connecticut Community Colleges

Combined Statements of Financial Position – Component Unit – Foundations
June 30, 2020 and 2019



	2020	2019
Assets		
Cash and cash equivalents	\$ 5,341,401	\$ 4,413,908
Accounts receivable, net	34,300	23,995
Contributions receivable, net	440,678	1,361,167
Prepaid expenses and other assets	56,388	68,640
Investments	61,396,141	60,074,905
Total assets	<u>\$ 67,268,908</u>	<u>\$ 65,942,615</u>
Liabilities		
Accounts payable and accrued expenses	\$ 535,550	\$ 694,373
Grants payable	1,292,042	1,196,373
Annuities payable	35,521	41,920
Scholarships payable	82,642	16,905
Other liabilities	110,000	157,302
Total liabilities	<u>2,055,755</u>	<u>2,106,873</u>
Net Assets		
Without donor restrictions	14,676,877	12,898,721
With donor restrictions	50,536,276	50,937,021
Total net assets	<u>65,213,153</u>	<u>63,835,742</u>
Total liabilities and net assets	<u>\$ 67,268,908</u>	<u>\$ 65,942,615</u>

Connecticut Community Colleges

Combined Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2020 and 2019

CSCU

	2020	2019
Operating revenues		
Student tuition and fees	\$ 176,460,816	\$ 183,201,246
Less: Scholarship discounts and allowances	(83,771,167)	(84,947,563)
Net tuition and fees	92,689,649	98,253,683
Federal grants and contracts	12,114,800	13,970,305
State and local grants and contracts	11,901,055	11,854,182
Nongovernment grants and contracts	4,815,529	5,820,452
Auxiliary revenues	415,126	564,095
Other operating revenues	3,230,081	3,500,862
Total operating revenues	125,166,240	133,963,580
Operating expenses		
Salaries and wages	252,209,342	243,996,943
Fringe benefits	305,503,637	221,193,001
Professional services and fees	9,491,192	8,829,036
Educational services and support	8,705,604	9,483,569
Travel expenses	2,075,633	2,575,083
Operation of facilities	27,102,684	29,787,785
Other operating supplies and expenses	15,350,696	19,115,879
Scholarship aid, net	40,859,546	29,751,640
Depreciation expense	30,156,387	30,521,990
Total operating expenses	691,454,720	595,254,925
Operating loss	(566,288,480)	(461,291,345)
Nonoperating revenues		
State appropriation - general fund	300,940,479	283,350,238
State appropriation - bond fund	22,411,768	28,114,359
Pell grant revenue	75,035,663	75,144,201
Federal emergency grant revenue	9,201,051	-
Investment income	1,212,724	1,939,620
Total nonoperating revenues	408,801,685	388,548,419
Change in net position	(157,486,794)	(72,742,927)
Net position, beginning of year	(667,378,926)	(594,636,000)
Net position, end of year	\$ (824,865,720)	\$ (667,378,927)

Connecticut Community Colleges

Combined Statements of Revenue, Expense, and Changes in Net Position

Component Unit – Magnet School

June 30, 2020 and 2019

CSCU

	<u>2020</u>	<u>2019</u>
Operating revenues		
Federal grants and contracts	\$ 3,382,700	\$ 3,404,417
Auxiliary revenues	-	103,660
Other operating revenues	<u>1,042,951</u>	<u>1,074,437</u>
Total operating revenues	<u>4,425,651</u>	<u>4,582,514</u>
Operating expenses		
Salaries and wages	2,795,408	2,914,781
Fringe benefits	1,123,929	1,244,387
Other operating supplies and expenses	369,806	449,011
Depreciation expense	<u>830,701</u>	<u>846,220</u>
Total operating expenses	<u>5,119,843</u>	<u>5,454,399</u>
Operating loss	<u>(694,192)</u>	<u>(871,885)</u>
Nonoperating revenues		
State appropriation - general fund	<u>615,815</u>	<u>809,181</u>
Total nonoperating revenues	<u>615,815</u>	<u>809,181</u>
Change in net position	<u>(78,377)</u>	<u>(62,704)</u>
Net position, beginning of year	<u>25,019,639</u>	<u>25,082,343</u>
Net position, end of year	\$ <u>24,941,262</u>	<u>25,019,639</u>

Connecticut Community Colleges**Combined Statements of Activities – Component Unit - Foundations**

For the Years Ended June 30, 2020 and 2019

CSCU

	2020	2019
Revenue		
Gifts and grants	\$ 8,685,718	\$ 9,843,729
Events and activities	598,398	830,634
Investment return, net	4,672,599	1,406,949
Total revenue	<u>13,956,715</u>	<u>12,081,312</u>
Expenses		
Program services	\$ 3,727,138	\$ 3,944,570
Scholarships, awards, and financial aid	2,692,179	2,459,399
Fundraising events	767,452	938,531
Management and general	1,000,809	1,162,431
College advancement	1,028,082	1,735,390
Total expenses	<u>9,215,660</u>	<u>10,240,321</u>
Change in net assets	4,741,055	1,840,991
Net assets		
Net assets at beginning of year	\$ 60,472,098	\$ 61,994,751
Net assets at end of year	<u>\$ 65,213,153</u>	<u>\$ 63,835,742</u>

Connecticut Community Colleges
Combined Statements of Cash Flows
June 30, 2020 and 2019

CSCU

	Primary Institution	
	2020	2019
Cash flows from operating activities		
Student tuition and fees	\$ 87,000,100	95,287,158
Government grants and contracts	23,944,104	26,673,539
Private grants and contracts	3,773,307	4,282,830
Sales and services of educational departments	618,474	794,495
Payments to employees	(248,378,963)	(249,713,477)
Payments for fringe benefits	(167,165,887)	(167,934,153)
Payments to students	(42,895,744)	(36,546,921)
Payments to vendors	(71,268,694)	(75,038,011)
Payments by Department of Construction Services (DCS)	(20,000)	(306,619)
Other receipts, net	6,057,287	6,374,617
Net cash used in operating activities	(408,336,017)	(396,126,542)
Cash flows from investing activities		
Interest income	1,941,785	1,425,962
Net cash provided by investing activities	1,941,785	1,425,962
Cash flows from capital and related financing activities		
State appropriations	17,253,418	14,813,436
Payments by Department of Construction Services (DCS)	(8,625,104)	(4,236,093)
Purchase of capital assets	(13,301,782)	(13,798,491)
Net cash used in capital and related financing activities	(4,673,468)	(3,221,148)
Cash flows from noncapital financing activities		
State appropriations	302,011,130	300,685,389
Nonoperating federal grants	85,516,937	75,217,632
Private gifts	1,835,084	1,726,901
Federal Family Education Loan Program (FFELP)	9,676,540	9,906,773
Net cash provided by noncapital financing activities	399,039,691	387,536,695
Net decrease in cash and cash equivalents	(12,028,009)	(10,385,033)
Cash and cash equivalents at beginning of year	\$ 137,012,369	147,397,402
Cash and cash equivalents at end of year	\$ 124,984,361	137,012,369
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (566,288,480)	(449,327,678)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	30,156,387	30,521,990
Loss on disposal of capital assets, net	766,403	872,645
Operating application of FFELP receipts	(9,676,540)	(9,906,773)
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,203,125)	(2,325,655)
Prepaid expenses and other assets	29,885	6,956
Accrued compensation and other	4,797,596	(10,136,979)
Pension liability, net	125,165,989	36,383,269
Other post-employment benefits liability	298,272,646	(18,049,673)
Accounts payable and other liabilities	627,263	1,539,244
Unearned tuition, fees and grant revenue	24,013	613,470
Changes in deferred outflows and inflows of resources:		
Deferred pension outflows	(48,796,029)	2,076,542
Deferred other post-employment benefits outflows	(247,013,172)	(8,644,609)
Deferred pension inflows	(6,318,727)	1,368
Deferred other post-employment benefits inflows	13,119,871	30,249,341
Net cash used in operating activities	\$ (408,336,017)	(396,126,542)

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 ("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. The financial statements presented herein represent only the financial activities of CCC. Separate financial statements are issued for CSU 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.

Basis of Presentation

The financial statements for the CCC 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. The primary institutions that make up the financial statements include the CCC System Office ("SO") and the following community colleges: Asnuntuck Community College ("Asnuntuck"), Capital Community College ("Capital"), Gateway Community College ("Gateway"), Housatonic Community College ("Housatonic"), Manchester Community College ("Manchester"), Middlesex Community College ("Middlesex"), Naugatuck Valley Community College ("Naugatuck"), Northwestern Connecticut Community College ("Northwestern"), Norwalk Community College ("Norwalk"), Quinebaug Valley Community College ("Quinebaug"), Three Rivers Community College ("Three Rivers"), and Tunxis Community College ("Tunxis"), and their aggregate discretely presented component units.

CCC'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 present 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 present information showing how the incumbent system's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).
- The statement of cash flows 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).

There are several legally separate, tax-exempt, affiliated organizations (the "Foundations" and the "magnet high school") which must be reported as component units of CCC 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 Colleges by the donors. Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the Colleges, the Foundations are considered component units of CCC's primary institutions.

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 CCC's financial reporting entity for these differences. The disclosures included in the financial statements address only CCC and the magnet high school and not the related Foundations. Each of the foundations issues a separate audited financial statement which may be obtained by contacting the System's office at 61 Woodland Street, Hartford, CT 06105.

Great Path Academy is an inter-district magnet high school located on the Manchester Community College campus. GPA is discretely presented and identified in a single column as a component unit on the face of CCC's statement of net position and statement of revenues, expenses and changes in net position. CCC does not consider other magnet high schools to be component units of CCC primary institutions, because they are legally separate entities from CCC and they are separately managed and accounted for.

Net Position

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

- **Invested in Capital Assets**
Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation. 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 CCC. 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 CCC is subject to externally imposed stipulations that can be fulfilled by actions of CCC 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

CCC 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, and petty cash. The STIF, stated at market value, is held on behalf of CCC by the State Treasurer and has original maturities of three months or less (see Note 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 Plant

Capital assets of the primary institutions and magnet school 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:

<u>Asset Class Description</u>	<u>Useful Life</u>
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

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

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.

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 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 CCC 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.

Deferred Revenue

Deferred revenue consists primarily of tuition and fees collected as of year-end for the upcoming summer or fall semesters.

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 CCC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, Pell grants, gifts and investment income.

Income Taxes

CCC 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. CCC 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.

Component Units

The component units represent the 12 college foundations (the "Foundations") and the Great Path Academy ("GPA"), a magnet high school at Manchester Community College ("MCC"). The GPA at MCC is a discretely presented component unit, identified in a single column on the CCC financial statements.

GASB Pronouncements Effective in Future Fiscal Years

In January 2017, GASB released Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 in accordance with GASB 95, with earlier application encouraged.

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

In May 2019, GASB released Statement No. 91. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 with earlier application encouraged.

Subsequent Events

In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2020, through **REPORT DATE**, the date the financial statements were issued.

No items needing to be reported were noted. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result, all on-campus coursework and student activities were suspended effective March 13, 2020. All employees, except certain identified essential employees, were required to work from home. Almost all courses have been converted to online courses.

The Colleges were awarded a total of \$28.5 million from the Coronavirus Aid, Relief, and Economic Security Act ("CARES"): Higher Education Emergency Relief Fund to address the unprecedented COVID-19 challenges. As of June 30, 2020, the College had disbursed \$9.1 million of the Emergency Financial Aid Grants to students and this amount is included in student aid expenses and is shown in non-operating revenue. The Colleges have not yet drawn down the institutional portion under the grant. The remaining balances from the CARES Act will be drawn down and spent in 2021.

While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while CSCU expects this matter to negatively impact its financial position for 2021, the related financial impact cannot be reasonably estimated at this time.

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents are invested in the State Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. CCC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet 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 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, 2020 and 2019 was 0.35% and 2.42%, respectively.

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 89,637,172	\$ 95,122,748
Cash equivalents	35,347,195	41,889,621
Cash and cash equivalents	<u>\$ 124,984,367</u>	<u>\$ 137,012,369</u>

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. CCC is only invested in the State 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. 100% of CCC total cash, cash equivalents and investments were invested in the STIF or consist of State general fund and capital bond fund appropriations allocated to CCC as of June 30, 2020 and 2019.

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

3. Accounts Receivable Other, Net

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

	<u>2020</u>	<u>2019</u>
Tuition and fees	\$ 16,961,614	\$ 12,520,808
Less: allowance for doubtful accounts	<u>(9,204,447)</u>	<u>(5,166,054)</u>
Student tuition and fee receivables, net	7,757,167	7,354,755
Third-party contracts	1,877,690	2,194,521
Government and private grants and contracts	5,947,343	5,644,273
Other receivables	<u>2,283,711</u>	<u>4,376,232</u>
Subtotal	10,108,743	12,215,027
Less: allowance for doubtful accounts	<u>(646,946)</u>	<u>(442,090)</u>
Other receivables, net	9,461,797	11,772,937
Accounts receivable other, net	\$ <u>17,218,964</u>	\$ <u>19,127,691</u>

4. Capital Assets

Capital assets consist of the following at June 30:

	Balance at June 30, 2019	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2020
Land and land/site improvements	\$ 30,929,230	\$ 2,869,084	\$ (2,684,459)	\$ -	\$ 31,113,855
Building and building improvements	899,198,629	2,985,790	(1,782,722)	893,210	901,294,907
Furniture and equipment	92,756,451	3,633,878	(4,429,024)	239,471	92,200,776
Library books	5,061,121	155,615	(1,421,427)	-	3,795,309
Software	283,871	26,160	(20,320)	-	289,711
	<u>1,028,229,302</u>	<u>9,670,527</u>	<u>(10,337,953)</u>	<u>1,132,681</u>	<u>1,028,694,558</u>
Less: accumulated depreciation	<u>(399,026,754)</u>	<u>(30,156,387)</u>	<u>6,134,244</u>	<u>-</u>	<u>(423,048,898)</u>
	629,202,548	(20,485,860)	(4,203,709)	1,132,681	605,645,660
Construction in progress	88,858,747	13,431,968	-	(1,132,681)	101,158,034
Capital assets, net	<u>\$ 718,061,295</u>	<u>\$ (7,053,892)</u>	<u>\$ (4,203,709)</u>	<u>\$ -</u>	<u>\$ 706,803,694</u>

	Balance at June 30, 2018	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2019
Land and land/site improvements	\$ 28,336,283	\$ 802,447	\$ -	\$ 1,790,499	\$ 30,929,229
Building and building improvements	891,473,316	2,470,088	(592,457)	5,847,681	899,198,628
Furniture and equipment	90,290,570	4,873,541	(2,407,658)	-	92,756,453
Library books	5,060,160	961	-	-	5,061,121
Software	210,000	115,481	(41,610)	-	283,871
	<u>1,015,370,329</u>	<u>8,262,518</u>	<u>(3,041,725)</u>	<u>7,638,180</u>	<u>1,028,229,302</u>
Less: accumulated depreciation	<u>(369,727,213)</u>	<u>(30,521,990)</u>	<u>1,222,449</u>	<u>-</u>	<u>(399,026,754)</u>
	645,643,116	(22,259,472)	(1,819,276)	7,638,180	629,202,548
Construction in progress	83,540,938	12,955,989	-	(7,638,180)	88,858,747
Capital assets, net	<u>\$ 729,184,054</u>	<u>\$ (9,303,483)</u>	<u>\$ (1,819,276)</u>	<u>\$ -</u>	<u>\$ 718,061,295</u>

5. Accrued Compensated Absences

Accrued compensated absences consist of the following at June 30:

	2020	2019
Accrued vacation	\$ 17,882,981	\$ 16,001,873
Accrued sick leave	10,547,368	12,336,050
Other accrued fringe benefits	11,929,827	10,362,235
Total accrued compensated absences	40,360,176	38,700,158
Less: current portion	(3,282,959)	(3,145,344)
Accrued compensated absences - non-current portion	<u>\$ 37,077,217</u>	<u>\$ 35,554,815</u>

Activity for compensated absences as of June 30 includes:

Balance as of June 30, 2018	\$	39,878,432
Additions in 2019		1,758,965
Benefits paid to participants in 2019		(2,937,239)
Balance as of June 30, 2019	\$	<u>38,700,158</u>
Additions in 2020		4,663,726
Benefits paid to participants in 2020		(3,003,708)
Balance as of June 30, 2020	\$	<u>40,360,176</u>

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

6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to the State's General Fund. The CCC made no transfers to the State during fiscal year 2020 or 2019.

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

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

Amounts due from the State for the year ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable for accrued salaries, interest and fringe benefits to be paid by State General Fund	\$ <u>33,608,127</u>	\$ <u>30,141,227</u>

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

	<u>2020</u>	<u>2019</u>
Cash balances held with the State on behalf of the CCC's	\$ <u>89,639,692</u>	\$ <u>95,122,728</u>

7. Commitments, Contingencies and Leases

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

CCC 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 CCC's financial position.

CCC 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:

	<u>2020</u>	<u>2019</u>
Asnuntuck Community College	\$ 5,917,989	\$ 1,351,103
Capital Community College	1,029,442	411,440
Gateway Community College	205,197	442,356
Housatonic Community College	1,487,341	723,412
Manchester Community College	1,016,843	23,708
Middlesex Community College	494,354	571,377
Naugatuck Valley Community College	764,010	41,268
Northwestern Connecticut Community College	806,677	196,659
Norwalk Community College	892,887	461,550
Quinebaug Valley Community College	1,228,679	261,074
System Office	654,018	8,776,338
Three Rivers Community College	343,245	1,420,748
Tunxis Community College	472,059	253,572
	<u>\$ 15,312,740</u>	<u>\$ 14,934,605</u>

CCC is party to one non-cancellable operating lease contract entered into on July 1, 2012 by Gateway with the City of New Haven for parking in the Temple Street Parking Garage for \$970,200 per year for 20 years.

Future minimum lease payments, all due over the next five fiscal years and thereafter under all existing operating lease contracts (cancellable and non-cancellable), are as follows:

Year ending June 30	
2021	\$ 1,857,032
2022	1,817,034
2023	1,824,108
2024	1,824,108
2025	1,824,108
Thereafter	6,884,715
	<u>\$ 16,031,105</u>

Rental and lease expense was \$3.2 million and \$3.6 million for the years ended June 30, 2020 and 2019, respectively.

8. Pension Plans

Plan Description

All regular full-time employees participate in one of two retirement plans. The State 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's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller, and in annual actuarial valuations prepared by the State Retirement Commission.

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

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

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

Alternatively, employees may choose to participate in the ARP, which is a defined contribution plan managed by Prudential. Under this arrangement, plan participants contribute 6.5% of their pay, or they can opt out of the 6.5% and contribute 5% and the State contributes 6.5% to individual participants' investment accounts managed by Prudential. CSCU pays a fringe benefit charge to the State, which includes the 6.5% employer contribution, employee health benefits and an administrative charge.

Funding Policy

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

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

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 59.99% and 64.30% for SERS and 33.40% and 41.84% for TRS for the fiscal year ended June 30, 2020 and 2019, respectively. The State contributed \$61.5 million and \$2.0 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2020, equal to 100.0% and 79.2%, respectively, of the required contributions that year. The State contributed \$51.3 million and \$1.3 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2019, equal to 100.0% and 53.1%, respectively, of the required contributions that year.

Net Pension Liability

The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2020 and 2019 was measured and valued as of June 30, 2019 and 2018, respectively and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of those dates. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the TRS plan, the CCC System's proportion was 0.19% as of June 30, 2020 and 2019. For the SERS plan, the CCC System's proportion was 3.89% and 3.55% as of June 30, 2020 and 2019, respectively.

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 CCC System is calculated separately. The net pension liability for the CCC System as of June 30, 2020 for SERS and TRS was \$888.2 million and \$32.7 million, respectively. The net pension liability for the CCC System as of June 30, 2019 for SERS and TRS was \$770.5 million and \$25.3 million, respectively.

Actuarial Assumptions for SERS:

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

Measurement Year	2019	2018
Inflation	2.50%	2.50%
Salary increases including inflation	3.50% to 19.50%	3.50% to 19.50%
Investment rate of return net of pension plan investment expense, including inflation	6.90%	6.90%

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

The actuarial assumptions used in the June 30, 2019 valuation (which was the basis for recording the June 30, 2020 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation (which was the basis for recording the June 30, 2019 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2018.

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

The best estimates of geometric rates of return for each major asset class as of the 2019 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.6%
Developed Market Intl. Stock Fund	11.0%	6.0%
Emerging Market Intl. Stock Fund	9.0%	7.9%
Core Fixed Income Fund	16.0%	2.1%
Inflation Linked Bond Fund	5.0%	1.1%
Emerging Market Debt Fund	5.0%	2.7%
High Yield Bond Fund	6.0%	4.0%
Real Estate Fund	10.0%	4.5%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	2.9%
Liquidity Fund	1.0%	0.4%
	<u>100.0%</u>	

The best estimates of geometric rates of return for each major asset class as of the 2018 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Market (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income	8.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%
TIPS	5.0%	1.0%
Cash	4.0%	0.4%
	<u>100.0%</u>	

Actuarial Assumptions for TRS:

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

Measurement Year	2019	2018
Inflation	2.50%	2.75%
Salary increases including inflation	3.25% to 6.50%	3.25% to 6.50%
Investment rate of return net of pension plan investment expense, including inflation	6.90%	8.00%

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the 2019 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity - US Equity	20.0%	8.1%
Public Equity - International Developed Equity	11.0%	8.5%
Public Equity - Emerging Markets Equity	9.0%	10.4%
Fixed Income - Core Fixed Income	16.0%	4.6%
Fixed Income - Inflation Linked Bonds	5.0%	3.6%
Fixed Income - High Yield	6.0%	6.5%
Fixed Income - Emerging Market Debt	5.0%	5.2%
Private Equity	10.0%	9.8%
Real Estate	10.0%	7.0%
Alternative Investments - Real Assets	4.0%	8.2%
Alternative Investments - Hedge Funds	3.0%	5.4%
Liquidity Fund	1.0%	2.9%
	100.0%	

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the 2018 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Market (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	5.0%	3.7%
Inflation Linked Bonds	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100.0%</u>	

Discount Rate for SERS:

The discount rate used to measure the total pension liability was 6.9% in the 2019 and 2018 measurement years. 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% and 8.0% in the 2019 and 2018 measurement years, respectively. 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 CCC 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	\$ 1,060,711,199	\$ 888,169,892	\$ 744,242,753
TRS	40,862,160	32,757,768	25,944,401

The following table presents the June 30, 2018 measurement date net pension liability of the CCC System calculated using the current-period discount rate assumption of 6.9% for SERS and 8.0%

for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (SERS-5.9%) (TRS-7.0%)	Current Discount (SERS-6.9%) (TRS-8.0%)	1% Increase (SERS-7.9%) (TRS-9.0%)
SERS	\$ 919,449,353	\$ 770,504,174	\$ 646,225,687
TRS	31,921,699	25,258,143	19,622,974

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

For the year ended June 30, 2020 and 2019, the CCC System recognized pension expense of \$66.0 and \$43.0 million for SERS and \$4.1 and \$2.6 million for TRS, respectively. A schedule of deferred outflows and inflows of resources as of June 30, 2020 and 2019 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to the CCC System that will be recognized in pension expense during the next five years is as follows:

Fiscal Years					
Ending June 30,	SERS	TRS	Total		
2020	\$ 66,672,687	\$ 3,568,628	\$ 70,241,315		
2021	44,679,218	2,913,462	47,592,680		
2022	22,826,093	3,123,915	25,950,008		
2023	23,321,480	2,862,434	26,183,914		
2024	11,823,374	1,572,939	13,396,313		
Thereafter	-	442,621	442,621		
Total	\$ 169,322,852	\$ 14,483,999	\$ 183,806,851		

9. 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

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

Funding Policy

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

Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the State's Chief Investment Officer, as they manage the investment programs of the SEOPBP. 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% or more of plan net position available for benefits.

The following is the asset allocation policy as of June 30, 2020:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market International Stock Fund	11%	6.0%
Emerging Markets International Stock Fund	9%	7.9%
Core Fixed Income	16%	2.1%
Inflation Linked Bond Fund	5%	1.1%
Emerging Market Debt Fund	5%	2.7%
High Yield Bond Fund	6%	4.0%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Liquidity Fund	1%	0.4%
	<u>100%</u>	

The following is the asset allocation policy as of June 30, 2019:

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

Net OPEB Liability

The Systems' net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2020 of \$1.1 billion was measured and valued as of June 30, 2019 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. The net OPEB liability recorded in the financial statements as of June 30, 2019 of \$829.8 million was measured and valued as of June 30, 2018 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net OPEB liability was based on a projection of the System's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities and the State, actuarially determined.

For the SEOPEBP plan, at June 30, 2020 and 2019, the System's proportion was 5.5% and 4.8%, respectively. 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.

Actuarial Assumptions:

The total OPEB liability was determined by actuarial valuations as of June 30, 2019 and 2018, using the following actuarial assumptions:

Measurement Year	2019
Payroll growth rate	3.50%
Salary increases	3.25% to 19.50% varying by years of service and retirement system
Discount rate	3.58%
Healthcare cost trend rates:	
Medical	6.0% graded to 4.5% over 6 years
Prescription drug	3.00%
Dental and Part B	4.50%
Administrative expense	3.00%
Measurement Year	2018
Payroll growth rate	3.50%
Salary increases	3.25% to 19.50% varying by years of service and retirement system
Discount rate	3.95%
Healthcare cost trend rates:	
Medical	6.5% graded to 4.5% over 4 years
Prescription drug	8.0% graded to 4.5% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

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

The projection of cash flows used to determine the discount rate was performed in accordance with GASB pronouncements.

On December 20, 2019, there was a change in law, which repealed the excise "Cadillac" tax. The OPEB valuation has not taken this into account; this may have an impact on future OPEB obligations.

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, 2019:

Discount rate comparison:

	1% Decrease in Discount Rate (2.58%)	Current Discount Rate (3.58%)	1% Increase in Discount Rate (4.58%)
Net OPEB Liability	\$ 1,312,895,145	\$ 1,128,067,973	\$ 978,030,010

Health care trend rate comparison:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$ 967,033,757	\$ 1,128,067,973	\$ 1,331,323,079

For measurement date of June 30, 2018:

Discount rate comparison:

	1% Decrease in Discount Rate (2.95%)	Current Discount Rate (3.95%)	1% Increase in Discount Rate (4.95%)
Net OPEB Liability	\$ 962,501,995	\$ 829,795,327	\$ 722,029,015

Health care trend rate comparison:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$ 706,793,365	\$ 829,795,327	\$ 985,656,616

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

For the year ended June 30, 2020 and 2019, the CCC System recognized OPEB expense of \$64.3 million and \$8.4 million, respectively. A schedule of deferred outflows and inflows of resources as of June 30, 2020 and 2019 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to the CCC System that will be recognized in pension expense during the next five years is as follows:

Fiscal Years		
Ending June 30,		OPEB
2021	\$	31,378,101
2022		31,377,991
2023		37,548,741
2024		47,405,671
2025		11,337,092
Thereafter	\$	-

10. Unearned Tuition, Fees and Grant Revenue

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

	2020	2019
Unearned tuition and fees	\$ 4,862,714	\$ 7,998,336
Grants and contracts	9,738,119	6,617,716
Unapplied payments and other	419,651	380,418
Total unearned tuition and grant revenue	<u>\$ 15,020,483</u>	<u>\$ 14,996,470</u>

11. Natural Classification with Functional Classification

The operating expenses by functional classification for the years ended June 30, 2020 and 2019 are summarized as follows:

Year Ended June 30, 2020										
	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 expense	Total operating expenses
Academic support	\$ 39,463,760	\$ 52,213,107	\$ 2,120,077	\$ 2,424,739	\$ 1,423,134	\$ 1,002,998	\$ 4,328,879	\$ -	\$ -	\$ 102,976,694
Auxiliary enterprises	128,468	85,137	126,922	-	-	22,032	101,848	-	-	464,408
Institutional support	32,625,614	86,217,005	4,906,824	1,755,503	326,145	498,428	9,118,235	-	-	135,447,755
Instruction	135,246,525	105,062,646	530,595	2,938,731	150,961	186,967	322,416	-	-	244,438,840
Library	5,991,941	7,215,141	328,545	614,586	6,156	11,688	127,200	-	-	14,295,257
Physical plant	11,679,903	18,879,480	984,535	15,720	22,371	25,300,523	937,139	-	30,156,387	87,976,058
Public service	219,865	274,427	43,542	171,625	6,542	5,283	133,210	-	-	854,493
Scholarship aid	-	-	-	-	-	-	-	40,859,546	-	40,859,546
Student services	26,853,266	35,556,694	450,151	784,700	140,324	74,765	281,769	-	-	64,141,669
	<u>\$ 252,209,342</u>	<u>\$ 305,503,637</u>	<u>\$ 9,491,192</u>	<u>\$ 8,705,604</u>	<u>\$ 2,075,633</u>	<u>\$ 27,102,684</u>	<u>\$ 15,350,696</u>	<u>\$ 40,859,546</u>	<u>\$ 30,156,387</u>	<u>\$ 691,454,720</u>
Year Ended June 30, 2019										
	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 expense	Total operating expenses
Academic support	\$ 39,859,009	\$ 38,394,612	\$ 668,188	\$ 2,408,088	\$ 1,800,167	\$ 909,435	\$ 5,718,356	\$ -	\$ -	\$ 89,757,855
Auxiliary enterprises	99,866	81,516	172,319	1,075	30	31,394	126,046	-	-	512,247
Institutional support	30,559,916	31,079,525	5,264,338	544,500	359,180	503,198	9,789,456	-	-	78,100,113
Instruction	129,434,417	106,014,658	534,818	4,371,097	185,055	309,894	1,579,753	-	-	242,429,692
Library	5,735,943	5,084,386	372,005	768,695	9,128	30,364	220,728	-	-	12,221,249
Physical plant	11,420,779	14,459,772	1,188,529	20,358	29,537	27,861,378	776,926	-	30,521,990	86,279,269
Public service	224,119	178,351	107,026	403,238	10,419	3,960	193,131	-	-	1,120,245
Scholarship aid	-	-	-	-	-	-	-	29,751,640	-	29,751,640
Student services	26,662,894	25,900,181	521,813	966,518	181,566	138,162	711,480	-	-	55,082,614
	<u>\$ 243,996,943</u>	<u>\$ 221,193,001</u>	<u>\$ 8,829,036</u>	<u>\$ 9,483,569</u>	<u>\$ 2,575,083</u>	<u>\$ 29,787,785</u>	<u>\$ 19,115,879</u>	<u>\$ 29,751,640</u>	<u>\$ 30,521,990</u>	<u>\$ 595,254,925</u>

12. Bonds Payable

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

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

13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2020 and 2019:

As of June 30, 2020	SERS	TRS	OPEB	Total
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	\$ 60,343,823	\$ -	\$ -	\$ 60,343,823
Changes of assumptions or other inputs	58,300,923	8,028,965	150,694,994	217,024,882
Net difference between projected and actual earnings on pension plan investments	-	544,071	-	544,071
Changes in proportion and differences between employer contributions and proportionate share of contributions	66,450,317	8,915,392	98,736,714	174,102,423
Employer contributions after measurement date	61,038,647	1,642,396	43,399,359	106,080,402
Total	\$ 246,133,710	\$ 19,130,824	\$ 292,831,067	\$ 558,095,601
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	\$ -	\$ 816,224	\$ 28,466,466	\$ 29,282,690
Changes of assumptions or other inputs	-	-	37,361,074	37,361,074
Net difference between projected and actual earnings on pension plan investments	2,113,332	-	244,752	2,358,084
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,658,879	2,188,306	24,311,820	40,159,005
Total	\$ 15,772,211	\$ 3,004,530	\$ 90,384,112	\$ 109,160,853

Connecticut Community Colleges

Notes to Financial Statements

June 30, 2020 and 2019



As of June 30, 2019	SERS	TRS	OPEB	Total
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	\$ 27,196,000	\$ -	\$ -	\$ 27,196,000
Changes of assumptions or other inputs	83,955,085	2,375,791	-	86,330,876
Net difference between projected and actual earnings on pension plan investments	-	467,063	-	467,063
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,027,996	11,033,559	4,750,635	43,812,190
Employer contributions after measurement date	61,450,290	1,962,721	41,067,260	104,480,271
Total	\$200,629,371	\$15,839,134	\$45,817,895	\$262,286,400
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	\$ -	\$ 1,042,732	\$ -	\$ 1,042,732
Changes of assumptions or other inputs	-	-	43,874,511	43,874,511
Net difference between projected and actual earnings on pension plan investments	2,415,634	-	333,468	2,749,102
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,529,544	2,107,458	33,056,362	54,693,364
Total	\$21,945,178	\$3,150,190	\$77,264,341	\$102,359,709

REQUIRED SUPPLEMENTARY INFORMATION

Connecticut Community Colleges

Schedule of Net Pension Liability and Related Ratios (Unaudited)

Years Ended June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

CSCU

Schedule of Net Pension Liability and Related Ratios

State Employee Retirement System Plan

Last 10 Fiscal Years ¹

(in thousands)

	2020	2019	2018	2017	2016	2015	2014
CCC System's proportion of the net pension liability	3.89%	3.55%	3.55%	3.61%	3.60%	3.38%	3.24%
CCC System's proportionate share of the net pension liability	\$ 888,170	\$ 770,504	\$ 747,249	\$ 829,328	\$ 594,978	\$ 540,627	\$ 537,772
CCC System's covered-employee payroll	\$ 143,525	\$ 121,796	\$ 136,569	\$ 134,378	\$ 130,285	\$ 117,737	\$ 108,775
CCC System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	619%	633%	547%	617%	457%	459%	494%
Plan Fiduciary net position as a percentage of the total pension liability	36.79%	36.62%	36.25%	31.69%	39.23%	39.54%	N/A ¹

Teachers Retirement System Plan

Last 10 Fiscal Years ¹

(in thousands)

	2020	2019	2018	2017	2016	2015	2014
CCC System's proportion of the net pension liability	0.19%	0.19%	0.09%	0.09%	0.11%	0.11%	0.11%
CCC System's proportionate share of the net pension liability	\$ 32,758	\$ 25,258	\$ 12,130	\$ 12,798	\$ 12,018	\$ 11,109	\$ 12,253
State's proportionate share of the net pension liability associated with the System	\$ 32,758	\$ 25,258	\$ 12,130	\$ 12,798	\$ 12,018	\$ 11,094	N/A ¹
Total	\$ 65,516	\$ 50,516	\$ 24,260	\$ 25,596	\$ 24,036	\$ 22,203	\$ 12,253
CCC System's covered-employee payroll	\$ 5,559	\$ 6,578	\$ 3,549	\$ 3,549	\$ 4,327	\$ 4,197	\$ 4,001
CCC System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	589%	384%	342%	361%	278%	265%	306%
Plan Fiduciary net position as a percentage of the total pension liability	52.00%	57.69%	55.93%	52.26%	59.50%	61.56%	N/A ¹

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

Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years ¹

	2020	2019	2018	2017
System's proportion of the net OPEB liability	5.45%	4.81%	3.90%	4.03%
System's proportionate share of the net OPEB liability	\$ 1,128,067,973	\$ 834,514,351	\$ 841,977,711	\$ 869,278,680
System's covered-employee payroll	\$ 197,396,304	\$ 194,411,536	\$ 200,795,770	\$ 206,023,378
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	571%	429%	419%	N/A
Plan Fiduciary net position as a percentage of the total OPEB liability	5.47%	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 ¹
(in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	61,450	\$ 51,270	\$ 55,136	\$ 54,676	\$ 49,636	\$ 42,837
Contributions in relation to the contractually required contribution	(61,450)	(51,270)	(54,695)	(54,239)	(49,388)	(42,837)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441</u>	<u>\$ 437</u>	<u>\$ 248</u>	<u>\$ -</u>
CCC System's covered-employee payroll	\$ 143,525	\$ 121,796	\$ 136,569	\$ 136,569	\$ 130,285	\$ 117,737
Contributions as a percentage of covered employee payroll	42.81%	42.09%	40.05%	39.72%	37.91%	36.38%

Teachers Retirement System Plan

Last 10 Fiscal Years ¹
(in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,480	\$ 2,441	\$ 909	\$ 876	\$ 1,078	\$ 1,039
Contributions in relation to the contractually required contribution	(1,963)	(1,296)	(551)	(1,613)	(1,970)	(1,927)
Contribution deficiency (excess)	<u>\$ 517</u>	<u>\$ 1,145</u>	<u>\$ 358</u>	<u>\$ (737)</u>	<u>\$ (892)</u>	<u>\$ (888)</u>
CCC System's covered-employee payroll	\$ 5,559	\$ 6,578	\$ 3,549	\$ 3,549	\$ 4,327	\$ 4,197
Contributions as a percentage of covered employee payroll	35.31%	19.70%	15.53%	45.45%	45.53%	45.91%

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

**Schedule of Contributions
Other Post Employment Benefits**
Last 10 Fiscal Years ¹

	2020	2019	2018	2017
Contractually required contribution	41,067,260	38,542,153	32,590,354	30,682,270
Contributions in relation to the contractually required contribution	(41,067,260)	(38,542,153)	(32,590,354)	(30,682,270)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 197,396,304	\$ 194,411,536	\$ 200,795,770	# \$ 206,023,378
Contributions as a percentage of covered employee payroll	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. Supplementary Information

Pension Plans

Changes of benefit terms:

- Beginning July 1, 2019, annual interest credited on mandatory contributions set at 4.0%.
- For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of the benefit commencement, the difference is paid to the Member's beneficiary.

Changes of assumptions:

- Reduce the inflation assumption from 2.75% to 2.50%.
- Reduce the real rate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.00% to 6.90%.
- Increase the annual rate of wage increase assumption from 0.50% to 0.75%.
- Phase in to a level dollar amortization method for the June 30, 2024 valuation.

State Employee OPEB Plan

Changes of assumptions:

- The discount rate was updated in accordance with GASB Statement No. 75 to 3.58% as of June 30, 2019 and 3.95% as of June 30, 2018.
- The mortality rates for SERS, ARP, Hybrid and Other were updated to be consistent with the corresponding retirement plan assumptions.
- Per capita health costs, administrative expenses, and retiree contributions were updated for recent experience.
- Health care trend rates and retiree contribution increase rates were adjusted.

SUPPLEMENTARY SCHEDULES

Connecticut Community Colleges
Combining Statement of Net Position
Year Ended June 30, 2020

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Assets														
Current assets														
Cash and cash equivalents	\$ 4,201,551	\$ 1,263,801	\$ 578,409	\$ 14,453,230	\$ 10,778,360	\$ 4,981,720	\$ 13,798,708	\$ 2,799,649	\$ 14,609,235	\$ 9,411,835	\$ 10,715,646	\$ 3,022,112	\$ 34,370,104	\$ 124,984,361
Accounts receivable, due from the State	1,315,167	2,777,953	3,885,436	2,856,389	4,281,610	1,849,188	4,523,657	1,334,744	3,116,965	1,279,639	2,378,586	2,354,703	1,654,090	33,608,127
Accounts receivable other, net	980,451	2,007,180	1,727,195	2,001,658	1,435,645	741,992	2,129,849	359,524	738,208	524,589	1,318,982	2,193,104	1,060,588	17,218,964
Prepaid expenses and other current assets	1,073	1,445	1,714	19,113	13,851	12,385	7,149	2,000	2,684	260	1,023	6,990	257,839	327,526
Total current assets	<u>6,498,242</u>	<u>6,050,379</u>	<u>6,192,755</u>	<u>19,330,390</u>	<u>16,509,466</u>	<u>7,585,284</u>	<u>20,459,363</u>	<u>4,495,917</u>	<u>18,467,093</u>	<u>11,216,322</u>	<u>14,414,237</u>	<u>7,576,909</u>	<u>37,342,620</u>	<u>176,138,978</u>
Non-current assets														
Investment in plant	47,816,917	73,680,486	198,620,309	151,587,351	113,925,914	22,147,637	169,125,298	62,539,838	74,998,940	29,591,138	100,104,274	63,837,176	21,877,314	1,129,852,592
Accumulated depreciation	(11,586,553)	(35,064,110)	(47,353,371)	(39,501,747)	(62,662,447)	(14,593,728)	(79,185,214)	(16,533,680)	(30,485,948)	(11,760,040)	(33,672,507)	(22,520,979)	(18,128,573)	(423,048,898)
Investment in plant, net of accumulated depreciation	<u>36,230,364</u>	<u>38,616,376</u>	<u>151,266,938</u>	<u>112,085,603</u>	<u>51,263,467</u>	<u>7,553,910</u>	<u>89,940,083</u>	<u>46,006,158</u>	<u>44,512,992</u>	<u>17,831,098</u>	<u>66,431,767</u>	<u>41,316,197</u>	<u>3,748,741</u>	<u>706,803,694</u>
Student loans, net	112,216	-	8,093	(1,206)	-	(6,647)	-	-	32,519	-	(32,526)	315,858	-	428,307
Total non-current assets	<u>36,342,580</u>	<u>38,616,376</u>	<u>151,275,031</u>	<u>112,084,397</u>	<u>51,263,467</u>	<u>7,547,263</u>	<u>89,940,083</u>	<u>46,006,158</u>	<u>44,545,511</u>	<u>17,831,098</u>	<u>66,399,241</u>	<u>41,632,055</u>	<u>3,748,741</u>	<u>707,232,001</u>
Total assets	<u>\$ 42,840,822</u>	<u>\$ 44,666,756</u>	<u>\$ 157,467,786</u>	<u>\$ 131,414,787</u>	<u>\$ 67,772,933</u>	<u>\$ 15,132,547</u>	<u>\$ 110,399,447</u>	<u>\$ 50,502,074</u>	<u>\$ 63,012,604</u>	<u>\$ 29,047,420</u>	<u>\$ 80,813,478</u>	<u>\$ 49,208,964</u>	<u>\$ 41,091,361</u>	<u>\$ 883,370,979</u>
Deferred outflows of resources														
Deferred pension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,264,534	\$ 265,264,534
Deferred other post employment benefits	-	-	-	-	-	-	-	-	-	-	-	-	292,831,067	292,831,067
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 558,095,601</u>	<u>\$ 558,095,601</u>
Liabilities														
Current liabilities														
Accounts payable	\$ 47,524	\$ 142,888	\$ 413,712	\$ 498,466	\$ 260,482	\$ 18,512	\$ 160,804	\$ 45,424	\$ 250,340	\$ 24,824	\$ 121,546	\$ 433,812	\$ 2,657,446	\$ 5,075,780
Accrued expenses - salary and fringe benefits	1,791,736	3,573,489	5,523,215	3,774,994	5,302,475	2,378,176	5,532,408	1,519,088	4,431,817	1,472,989	3,297,772	3,279,147	1,861,136	43,738,440
Accrued compensated absences - current portion	146,754	247,663	340,486	241,812	313,889	167,937	370,561	131,497	305,102	116,524	225,223	267,154	408,359	3,282,959
Unearned tuition and grant revenue	218,265	2,254,702	793,842	931,390	1,394,332	1,815,628	1,240,300	151,371	1,371,780	276,123	625,546	710,031	3,237,174	15,020,483
Retainage	-	-	-	-	-	-	495,701	-	-	-	-	-	-	495,701
Agency and loan fund liabilities	54,725	129,283	340,088	120,201	275,643	228,857	403,408	64,466	371,586	72,057	195,116	209,158	-	2,464,589
Other liabilities	36,000	110,873	149,486	78,846	132,082	60,216	81,256	11,041	123,491	12,021	137,765	86,969	-	1,020,046
Total current liabilities	<u>2,295,005</u>	<u>6,458,898</u>	<u>7,560,829</u>	<u>5,645,708</u>	<u>7,678,904</u>	<u>4,669,324</u>	<u>8,284,438</u>	<u>1,922,887</u>	<u>6,854,117</u>	<u>1,974,538</u>	<u>4,602,968</u>	<u>4,986,271</u>	<u>8,164,115</u>	<u>71,097,999</u>
Non-current liabilities														
Pension liability, net	-	-	-	-	-	-	-	-	-	-	-	-	920,928,258	920,928,258
Other post employment benefits liability net	-	-	-	-	-	-	-	-	-	-	-	-	1,128,067,973	1,128,067,973
Accrued compensated absences - long term portion	1,645,242	2,789,490	3,857,659	2,737,027	3,560,656	1,901,522	4,203,389	1,470,105	3,461,441	1,329,573	2,560,926	2,984,808	4,575,379	37,077,217
Total non-current liabilities	<u>1,645,242</u>	<u>2,789,490</u>	<u>3,857,659</u>	<u>2,737,027</u>	<u>3,560,656</u>	<u>1,901,522</u>	<u>4,203,389</u>	<u>1,470,105</u>	<u>3,461,441</u>	<u>1,329,573</u>	<u>2,560,926</u>	<u>2,984,808</u>	<u>2,053,571,610</u>	<u>2,086,073,448</u>
Total liabilities	<u>\$ 3,940,246</u>	<u>\$ 9,248,387</u>	<u>\$ 11,418,488</u>	<u>\$ 8,382,734</u>	<u>\$ 11,239,560</u>	<u>\$ 6,570,846</u>	<u>\$ 12,487,827</u>	<u>\$ 3,392,992</u>	<u>\$ 10,315,558</u>	<u>\$ 3,304,111</u>	<u>\$ 7,163,894</u>	<u>\$ 7,971,079</u>	<u>\$ 2,061,735,725</u>	<u>\$ 2,157,171,447</u>
Deferred inflows of resources														
Deferred pension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,776,641	\$ 18,776,641
Deferred other post employment benefits	-	-	-	-	-	-	-	-	-	-	-	-	90,384,212	90,384,212
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,160,853</u>	<u>\$ 109,160,853</u>
Net position														
Invested in capital assets, net	\$ 36,230,364	\$ 38,616,376	\$ 151,266,938	\$ 112,085,603	\$ 51,263,467	\$ 7,553,909	\$ 89,940,083	\$ 46,006,158	\$ 44,512,992	\$ 17,831,098	\$ 66,431,767	\$ 41,316,197	\$ 3,748,741	\$ 706,803,694
Restricted														
Nonexpendable	-	-	-	20,000	-	-	-	-	-	-	-	-	-	20,000
Expendable	2,105,087	5,438,987	279,585	1,981,362	176,517	441,712	3,546,376	1,648,007	5,841,282	678,511	161,541	587,276	12,838,138	35,724,382
Unrestricted	<u>565,125</u>	<u>(8,636,995)</u>	<u>(5,497,226)</u>	<u>8,945,087</u>	<u>5,093,390</u>	<u>566,080</u>	<u>4,425,160</u>	<u>(545,083)</u>	<u>2,342,771</u>	<u>7,233,700</u>	<u>7,056,276</u>	<u>(665,588)</u>	<u>(1,588,296,494)</u>	<u>(1,567,413,797)</u>
Total net position	<u>\$ 38,900,576</u>	<u>\$ 35,418,368</u>	<u>\$ 146,049,297</u>	<u>\$ 123,032,053</u>	<u>\$ 56,533,373</u>	<u>\$ 8,561,701</u>	<u>\$ 97,911,620</u>	<u>\$ 47,109,082</u>	<u>\$ 52,697,046</u>	<u>\$ 25,743,309</u>	<u>\$ 73,649,584</u>	<u>\$ 41,237,885</u>	<u>\$ (1,571,709,616)</u>	<u>\$ (824,865,721)</u>

Connecticut Community Colleges
Combining Statement of Net Position
Year Ended June 30, 2019

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Assets														
Current assets														
Cash and cash equivalents	\$ 5,612,132	\$ 3,746,329	\$ 2,104,274	\$ 17,998,670	\$ 10,903,129	\$ 5,131,239	\$ 12,531,801	\$ 3,531,158	\$ 14,761,663	\$ 9,588,905	\$ 12,283,655	\$ 4,524,668	\$ 34,294,746	\$ 137,012,369
Accounts receivable, due from the State	1,203,630	2,392,344	3,426,118	2,684,928	3,730,640	1,704,130	4,069,525	1,239,302	3,221,907	1,182,259	2,289,199	2,075,423	921,822	30,141,227
Accounts receivable other, net	882,362	2,572,416	1,894,552	1,575,142	2,021,733	759,366	2,475,527	288,434	1,021,024	417,496	1,745,339	1,376,084	2,098,215	19,127,691
Prepaid expenses and other current assets	3,447	429	883	8,860	11,536	36,898	25,926	667	1,416	921	3,261	2,752	233,140	330,134
Total current assets	<u>7,701,571</u>	<u>8,711,519</u>	<u>7,425,827</u>	<u>22,267,600</u>	<u>16,667,038</u>	<u>7,631,633</u>	<u>19,102,778</u>	<u>5,059,562</u>	<u>19,006,010</u>	<u>11,189,582</u>	<u>16,321,454</u>	<u>7,978,927</u>	<u>37,547,923</u>	<u>186,611,422</u>
Non-current assets														
Investment in plant	46,392,783	73,017,830	198,495,725	149,357,842	113,840,426	21,851,187	161,850,844	62,216,088	72,641,104	29,691,837	99,072,304	63,871,770	24,788,310	1,117,088,049
Accumulated depreciation	(9,504,820)	(33,235,351)	(42,197,209)	(37,438,043)	(59,730,544)	(13,945,118)	(75,885,920)	(15,473,554)	(28,686,238)	(10,863,086)	(31,030,735)	(21,158,359)	(19,877,777)	(399,026,754)
Investment in plant, net of accumulated depreciation	<u>36,887,963</u>	<u>39,782,479</u>	<u>156,298,516</u>	<u>111,919,799</u>	<u>54,109,883</u>	<u>7,906,069</u>	<u>85,964,924</u>	<u>46,742,534</u>	<u>43,954,867</u>	<u>18,828,751</u>	<u>68,041,569</u>	<u>42,713,410</u>	<u>4,910,533</u>	<u>718,061,295</u>
Student loans, net	153,084	-	-	-	-	4,505	-	-	-	-	-	76,691	-	234,279
Total non-current assets	<u>37,041,047</u>	<u>39,782,479</u>	<u>156,298,516</u>	<u>111,919,799</u>	<u>54,109,883</u>	<u>7,910,574</u>	<u>85,964,924</u>	<u>46,742,534</u>	<u>43,954,867</u>	<u>18,828,751</u>	<u>68,041,569</u>	<u>42,790,101</u>	<u>4,910,533</u>	<u>718,295,574</u>
Total assets	<u>\$ 44,742,618</u>	<u>\$ 48,493,998</u>	<u>\$ 163,724,343</u>	<u>\$ 134,187,398</u>	<u>\$ 70,776,921</u>	<u>\$ 15,542,206</u>	<u>\$ 105,067,701</u>	<u>\$ 51,802,095</u>	<u>\$ 62,960,876</u>	<u>\$ 30,018,332</u>	<u>\$ 84,363,023</u>	<u>\$ 50,769,028</u>	<u>\$ 42,458,456</u>	<u>\$ 904,906,996</u>
Deferred outflows of resources														
Deferred pension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,468,505	\$ 216,468,505
Deferred other post employment benefits	-	-	-	-	-	-	-	-	-	-	-	-	45,817,895	45,817,895
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,286,400</u>	<u>\$ 262,286,400</u>
Liabilities														
Current liabilities														
Accounts payable	\$ 1,052,661	\$ 304,883	\$ 297,761	\$ 405,431	\$ 146,593	\$ 514,934	\$ 406,363	\$ 167,623	\$ 635,121	\$ 135,816	\$ 357,265	\$ 471,078	\$ 1,196,461	\$ 6,091,989
Accrued expenses - salary and fringe benefits	1,705,395	3,042,514	5,040,001	3,553,298	4,784,621	2,247,171	5,256,726	1,457,662	4,563,567	1,396,728	3,289,287	3,011,727	1,252,167	40,600,862
Accrued compensated absences - current portion	137,466	234,006	325,582	246,892	301,663	163,559	372,291	125,100	307,159	105,113	230,702	248,692	347,121	3,145,344
Unearned tuition and grant revenue	175,362	1,632,078	1,371,163	705,612	1,973,233	1,158,027	1,633,657	222,491	1,275,431	168,657	796,141	958,479	2,926,139	14,996,470
Retainage	-	-	-	1,426,156	-	-	145,823	1,791,769	-	-	-	-	-	3,363,748
Agency and loan fund liabilities	35,269	108,524	265,792	89,089	229,116	192,123	358,624	52,197	303,830	50,065	228,885	146,468	-	2,059,983
Other liabilities	34,968	56,981	105,845	75,545	121,350	50,134	51,648	1,874	177,221	8,425	60,502	55,369	-	799,862
Total current liabilities	<u>3,141,121</u>	<u>5,378,984</u>	<u>7,406,144</u>	<u>6,502,023</u>	<u>7,556,576</u>	<u>4,325,946</u>	<u>8,225,132</u>	<u>3,818,716</u>	<u>7,262,329</u>	<u>1,864,803</u>	<u>4,962,782</u>	<u>4,891,813</u>	<u>5,721,888</u>	<u>71,058,258</u>
Non-current liabilities														
Pension liability, net	-	-	-	-	-	-	-	-	-	-	-	-	795,762,269	795,762,269
Other post employment benefits liability net	-	-	-	-	-	-	-	-	-	-	-	-	829,795,327	829,795,327
Accrued compensated absences - long term portion	1,542,499	2,638,406	3,692,781	2,793,226	3,425,396	1,853,086	4,222,525	1,399,344	3,484,189	1,203,328	2,621,542	2,780,572	3,897,920	35,554,815
Federal loan program advances	-	-	-	-	-	-	-	-	-	-	-	41,944	-	41,944
Total non-current liabilities	<u>1,542,499</u>	<u>2,638,406</u>	<u>3,692,781</u>	<u>2,793,226</u>	<u>3,425,396</u>	<u>1,853,086</u>	<u>4,222,525</u>	<u>1,399,344</u>	<u>3,484,189</u>	<u>1,203,328</u>	<u>2,621,542</u>	<u>2,822,517</u>	<u>1,629,455,516</u>	<u>1,661,154,355</u>
Total liabilities	<u>\$ 4,683,620</u>	<u>\$ 8,017,390</u>	<u>\$ 11,098,925</u>	<u>\$ 9,295,250</u>	<u>\$ 10,981,972</u>	<u>\$ 6,179,032</u>	<u>\$ 12,447,657</u>	<u>\$ 5,218,060</u>	<u>\$ 10,746,517</u>	<u>\$ 3,068,132</u>	<u>\$ 7,584,324</u>	<u>\$ 7,714,330</u>	<u>\$ 1,635,177,405</u>	<u>\$ 1,732,212,613</u>
Deferred inflows of resources														
Deferred pension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,095,368	\$ 25,095,368
Deferred other post employment benefits	-	-	-	-	-	-	-	-	-	-	-	-	77,264,341	77,264,341
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,359,709</u>	<u>\$ 102,359,709</u>
Net position														
Invested in capital assets, net	\$ 36,887,963	\$ 39,782,479	\$ 156,298,516	\$ 111,919,799	\$ 54,109,883	\$ 7,906,069	\$ 85,964,924	\$ 46,742,534	\$ 43,954,867	\$ 18,828,751	\$ 68,041,569	\$ 42,713,410	\$ 4,910,533	\$ 718,061,295
Restricted														
Nonexpendable	-	-	-	20,000	-	-	-	-	-	-	-	-	-	20,000
Expendable	2,564,433	5,535,477	682,636	2,719,868	349,706	332,234	1,703,677	232,649	6,406,426	960,485	1,025,297	1,160,707	16,535,654	40,209,248
Unrestricted	<u>606,602</u>	<u>(4,841,348)</u>	<u>(4,355,733)</u>	<u>10,232,482</u>	<u>5,335,361</u>	<u>1,124,871</u>	<u>4,951,444</u>	<u>(391,148)</u>	<u>1,853,066</u>	<u>7,160,965</u>	<u>7,711,834</u>	<u>(819,419)</u>	<u>(1,454,238,444)</u>	<u>(1,425,669,469)</u>
Total net position	<u>\$ 40,058,998</u>	<u>\$ 40,476,607</u>	<u>\$ 152,625,418</u>	<u>\$ 124,892,149</u>	<u>\$ 59,794,949</u>	<u>\$ 9,363,174</u>	<u>\$ 92,620,045</u>	<u>\$ 46,584,036</u>	<u>\$ 52,214,359</u>	<u>\$ 26,950,200</u>	<u>\$ 76,778,699</u>	<u>\$ 43,054,698</u>	<u>\$ (1,432,792,258)</u>	<u>\$ (667,378,927)</u>

Connecticut Community Colleges

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2020

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Operating revenues														
Student tuition and fees	\$ 7,538,343	\$ 12,245,917	\$ 25,817,359	\$ 16,745,982	\$ 21,784,829	\$ 9,397,067	\$ 23,275,883	\$ 4,477,930	\$ 20,871,724	\$ 5,079,021	\$ 13,819,226	\$ 15,407,534	\$ -	\$ 176,460,816
Less: Scholarship discounts and allowances	(3,603,996)	(7,253,434)	(12,873,313)	(9,721,116)	(9,148,136)	(3,519,990)	(10,046,927)	(2,383,131)	(8,825,240)	(2,438,198)	(7,124,845)	(6,832,840)	-	(83,771,167)
Net tuition and fees	3,934,347	4,992,484	12,944,046	7,024,866	12,636,693	5,877,077	13,228,957	2,094,799	12,046,483	2,640,823	6,694,381	8,574,694	-	92,689,649
Federal grants and contracts	734,081	1,534,806	898,681	1,177,976	865,959	287,073	2,325,260	716,503	1,628,045	215,608	512,616	1,072,200	145,991	12,114,800
State and local grants and contracts	400,940	863,725	2,247,979	1,408,686	1,260,220	512,413	1,798,990	197,599	989,771	355,070	772,026	897,930	195,707	11,901,055
Nongovernment grants and contracts	266,545	528,168	112,317	371,175	233,590	54,014	383,169	332,629	1,599,828	380,051	346,925	64,035	143,084	4,815,529
Auxiliary revenues	-	-	130,591	-	57,533	-	-	-	-	-	227,003	-	-	415,126
Other operating revenues	386,063	151,718	601,529	394,516	252,605	134,948	362,615	33,913	278,219	108,442	283,232	152,325	89,956	3,230,081
Total operating revenues	5,721,977	8,070,901	16,935,144	10,377,219	15,306,599	6,865,525	18,098,991	3,375,443	16,542,345	3,699,994	8,836,182	10,761,183	574,738	125,166,240
Operating expenses														
Salaries and wages	11,738,849	19,444,880	31,826,102	22,538,875	27,143,214	12,812,269	31,781,658	9,040,006	25,771,494	8,904,982	18,783,602	19,077,977	13,345,435	252,209,342
Fringe benefits	8,063,543	13,986,547	20,743,039	15,216,541	19,439,482	8,560,354	23,136,909	6,345,216	15,484,537	6,256,927	12,390,483	12,618,539	143,261,521	305,503,637
Professional services and fees	395,251	324,228	731,513	524,412	436,467	337,055	593,817	174,742	501,589	287,719	392,626	453,422	4,338,350	9,491,192
Educational services and support	333,510	670,253	495,817	568,100	819,130	740,047	767,181	305,153	485,725	372,920	873,869	656,022	1,617,875	8,705,604
Travel expenses	115,567	108,629	232,507	209,875	238,816	87,062	118,659	114,077	177,120	89,266	103,008	191,152	289,895	2,075,633
Operation of facilities	1,098,655	2,366,064	5,051,988	3,932,760	1,930,057	867,739	2,611,462	775,119	3,814,900	711,915	1,640,442	2,145,116	156,467	27,102,684
Other operating supplies and expenses	468,670	384,895	1,082,062	634,505	1,674,605	686,192	985,775	56,524	871,387	374,526	634,648	877,610	6,619,296	15,350,696
Scholarship aid, net	1,386,828	3,146,350	5,698,807	4,594,820	4,465,010	1,810,196	6,312,606	714,194	4,775,853	1,117,961	3,075,869	3,315,025	446,027	40,859,546
Depreciation expense	2,272,460	1,991,159	5,315,223	2,979,555	3,110,342	843,455	3,542,879	1,139,345	2,026,110	1,053,545	2,923,753	1,561,708	1,396,851	30,156,387
Total operating expenses	25,873,334	42,423,006	71,177,058	51,199,445	59,257,123	26,744,369	69,850,946	18,664,377	53,908,714	19,169,760	40,818,301	40,896,570	171,471,718	691,454,720
Operating loss	(20,151,357)	(34,352,105)	(54,241,914)	(40,822,226)	(43,950,524)	(19,878,844)	(51,751,955)	(15,288,934)	(37,366,369)	(15,469,766)	(31,982,119)	(30,135,387)	(170,896,980)	(566,288,480)
Nonoperating revenues														
State appropriation - general fund	14,246,832	21,592,670	36,290,500	26,551,763	32,615,420	15,169,491	37,698,636	11,955,345	27,795,213	12,054,430	21,711,458	21,585,369	21,673,353	300,940,479
State appropriation - bond fund	154,330	479,416	209,912	190,736	728,989	824,571	8,867,339	61,578	491,774	62,155	1,008,158	677,023	8,655,788	22,411,768
Pell grant revenue	3,011,066	6,421,763	11,484,844	9,476,263	7,721,997	3,157,311	9,899,791	1,876,848	7,936,008	2,024,348	5,921,672	6,103,751	-	75,035,663
Federal emergency grant revenue	398,551	773,778	1,463,128	1,230,535	959,214	387,206	1,179,258	169,968	885,769	292,852	760,154	700,639	-	9,201,061
Investment income	15,383	-	5,832	206,172	167,989	56,721	103,757	25,413	135,634	132,038	148,610	25,196	189,980	1,212,724
Total nonoperating revenues	17,826,162	29,267,627	49,454,215	37,655,469	42,193,609	19,595,300	57,748,780	14,089,152	37,244,398	14,565,822	29,550,053	29,091,978	30,519,121	408,801,685
Loss before other changes in net position	(2,325,196)	(5,084,478)	(4,787,699)	(3,166,757)	(1,756,916)	(283,544)	5,996,825	(1,199,782)	(121,971)	(903,944)	(2,432,066)	(1,043,409)	(140,377,859)	(157,486,794)
Other changes in net position														
Capital and other additions (deductions)	1,452,388	727,039	(56,434)	2,518,530	4,083	20,801	980,577	1,856,395	2,027,270	24,044	114,062	112,499	(9,781,255)	-
Interagency transfers	(285,616)	(700,800)	(1,731,989)	(1,211,870)	(1,508,743)	(538,731)	(1,685,827)	(131,567)	(1,422,612)	(326,991)	(811,111)	(885,902)	11,241,757	-
Total other changes in net position	1,166,773	26,239	(1,788,422)	1,306,660	(1,504,660)	(517,930)	(705,250)	1,724,828	604,658	(302,946)	(697,049)	(773,403)	1,460,502	-
Change in net position	(1,158,423)	(5,058,239)	(6,576,121)	(1,860,097)	(3,261,576)	(801,474)	5,291,575	525,046	482,687	(1,206,890)	(3,129,115)	(1,816,812)	(138,917,357)	(157,486,794)
Net position, beginning of year	40,058,999	40,476,607	152,625,418	124,892,149	59,794,949	9,363,174	92,620,045	46,584,036	52,214,359	26,950,200	76,778,699	43,054,698	(1,432,792,258)	(667,378,926)
Net position, end of year	\$ 38,900,576	\$ 35,418,369	\$ 146,049,297	\$ 123,032,052	\$ 56,533,373	\$ 8,561,701	\$ 97,911,620	\$ 47,109,082	\$ 52,697,046	\$ 25,743,309	\$ 73,649,584	\$ 41,237,885	\$ (1,571,709,615)	\$ (824,865,720)

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Operating revenues														
Student tuition and fees	\$ 7,962,329	\$ 12,681,558	\$ 26,123,895	\$ 17,551,673	\$ 22,960,384	\$ 9,818,889	\$ 24,144,039	\$ 4,299,984	\$ 21,989,910	\$ 5,047,075	\$ 14,667,219	\$ 15,718,358	\$ 235,933	\$ 183,201,246
Less: Scholarship discounts and allowances	(3,588,637)	(7,479,229)	(12,704,169)	(10,144,074)	(9,591,727)	(3,961,577)	(10,118,728)	(2,250,017)	(8,706,770)	(2,591,019)	(7,238,620)	(6,572,995)	-	(84,947,563)
Net tuition and fees	4,373,692	5,202,329	13,419,726	7,407,598	13,368,657	5,857,312	14,025,310	2,049,967	13,283,140	2,456,056	7,428,599	9,145,362	235,933	98,253,683
Federal grants and contracts	606,478	1,298,128	1,016,627	1,158,195	1,645,245	283,413	3,928,093	724,108	1,376,579	203,527	566,029	1,135,626	28,259	13,970,305
State and local grants and contracts	376,393	812,733	2,200,640	1,418,704	1,183,665	498,790	1,874,719	240,754	1,140,825	327,775	787,986	830,381	160,616	11,854,182
Nongovernment grants and contracts	298,588	601,202	241,438	807,768	479,697	95,993	432,812	180,526	1,844,919	396,110	325,903	101,626	13,871	5,820,452
Auxiliary revenues	-	-	169,430	-	87,341	-	-	-	-	-	307,324	-	-	564,095
Other operating revenues	166,409	129,877	388,129	446,929	300,944	105,714	397,729	30,959	362,859	64,868	477,429	430,311	198,706	3,500,862
Total operating revenues	5,821,559	8,044,269	17,435,991	11,239,195	17,065,748	6,841,221	20,658,663	3,226,315	18,008,321	3,448,338	9,893,270	11,643,306	637,384	133,963,580
Operating expenses														
Salaries and wages	11,198,390	18,368,521	30,659,726	21,722,935	26,969,190	12,279,709	31,733,521	8,668,228	25,821,150	8,405,128	18,329,350	18,703,506	11,137,590	243,996,943
Fringe benefits	7,568,830	13,159,525	20,095,694	15,364,011	19,256,220	8,176,915	23,299,091	6,215,088	15,647,622	5,742,151	12,541,319	12,314,946	61,811,588	221,193,001
Professional services and fees	600,928	330,933	841,069	712,814	790,195	433,162	735,766	173,074	521,993	595,023	600,334	434,260	2,059,486	8,829,036
Educational services and support	638,136	742,794	679,725	923,820	844,650	1,053,637	1,037,816	377,928	561,842	378,320	423,449	803,129	1,018,323	9,483,569
Travel expenses	157,274	169,295	202,142	289,906	296,849	133,981	172,080	106,025	280,430	70,050	188,255	189,279	319,515	2,575,083
Operation of facilities	1,174,817	2,375,985	6,048,141	4,386,283	1,959,410	1,083,710	2,513,164	1,031,645	4,108,975	908,709	1,955,047	1,963,326	278,571	29,787,785
Other operating supplies and expenses	1,792,915	441,757	1,341,270	993,462	1,059,259	739,797	1,423,896	457,171	1,518,952	474,050	758,044	1,337,435	6,777,872	19,115,879
Scholarship aid, net	1,123,428	2,390,674	4,023,385	3,245,562	3,197,850	1,279,205	5,003,196	455,178	3,870,996	847,982	1,877,246	2,185,109	251,831	29,751,640
Depreciation expense	2,115,123	2,042,623	5,359,521	2,758,959	3,121,235	875,633	3,753,562	1,108,004	1,862,565	1,057,992	2,830,391	1,610,569	2,025,813	30,521,990
Total operating expenses	26,369,842	40,022,106	69,250,670	50,397,751	57,494,857	26,055,749	69,672,092	18,592,342	54,194,526	18,479,405	39,503,436	39,541,559	85,680,589	595,254,925
Operating loss	(20,548,283)	(31,977,837)	(51,814,679)	(39,158,557)	(40,429,109)	(19,214,528)	(49,013,429)	(15,366,027)	(36,186,205)	(15,031,067)	(29,610,167)	(27,898,253)	(85,043,205)	(461,291,345)
Nonoperating revenues														
State appropriation - general fund	12,638,253	21,295,417	33,354,449	24,518,634	31,135,503	13,457,851	36,991,192	10,988,590	24,681,045	10,041,922	20,821,569	19,263,327	24,162,487	283,350,238
State appropriation - bond fund	3,599,580	304,135	1,040,539	1,342,582	208,241	893,685	2,136,081	574,840	1,246,261	801,509	1,558,162	720,100	13,688,663	28,114,359
Pell grant revenue	2,950,963	6,655,679	11,023,093	9,359,738	8,274,897	3,363,752	9,781,077	1,690,355	7,682,024	2,297,395	5,953,519	6,111,688	-	75,144,201
Investment income	18,791	1,391	36,995	305,807	259,045	91,546	239,810	37,330	196,927	163,689	251,797	29,509	306,985	1,939,620
Total nonoperating revenues	19,207,606	28,256,623	45,455,076	35,526,762	39,877,686	17,806,814	49,148,159	13,291,115	33,806,257	13,304,514	28,585,047	26,124,624	38,158,134	388,548,419
Loss before other changes in net position	(1,340,676)	(3,721,214)	(6,359,604)	(3,631,795)	(551,423)	(1,407,713)	134,731	(2,074,912)	(2,379,949)	(1,726,553)	(1,025,119)	(1,773,629)	(46,885,071)	(72,742,927)
Other changes in net position														
Capital and other additions (deductions)	2,692,186	1,148,154	5,088	(105,612)	278,768	1,166,795	283,626	927,986	1,152,805	355,992	337,557	37,636	(8,280,982)	-
Interagency transfers	680,488	(692,333)	(404,067)	(670,444)	(2,090,396)	695,092	(2,594,311)	686,961	772,502	1,326,760	(714,738)	21,690	2,982,795	-
Total other changes in net position	3,372,674	455,821	(398,978)	(776,056)	(1,811,628)	1,861,887	(2,310,685)	1,614,948	1,925,308	1,682,752	(377,181)	59,326	(5,298,187)	-
Change in net position	2,031,998	(3,265,393)	(6,758,582)	(4,407,851)	(2,363,051)	454,174	(2,175,955)	(459,964)	(454,641)	(43,800)	(1,402,301)	(1,714,302)	(52,183,258)	(72,742,927)
Net position, beginning of year	38,027,000	43,742,000	159,384,000	129,300,000	62,158,000	8,909,000	94,796,000	47,044,000	52,669,000	26,994,000	78,181,000	44,769,000	(1,380,609,000)	(594,636,000)
Net position, end of year	\$ 40,058,998	\$ 40,476,607	\$ 152,625,418	\$ 124,892,149	\$ 59,794,949	\$ 9,363,174	\$ 92,620,045	\$ 46,584,036	\$ 52,214,359	\$ 26,950,200	\$ 76,778,699	\$ 43,054,698	\$ (1,432,792,258)	\$ (667,378,927)

Connecticut Community Colleges
Combining Statement of Cash Flows
Year Ended June 30, 2020

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Cash flows from operating activities														
Student tuition and fees	\$ 3,428,005	\$ 5,047,108	\$ 12,024,016	\$ 6,710,378	\$ 11,913,746	\$ 5,266,442	\$ 11,693,351	\$ 1,879,054	\$ 12,190,767	\$ 2,502,378	\$ 6,942,766	\$ 7,089,038	\$ 313,051	\$ 87,000,100
Government grants and contracts	833,793	2,203,967	3,346,663	2,654,483	1,886,864	989,032	4,702,130	930,893	2,778,714	580,503	1,146,346	1,606,057	284,659	23,944,104
Private grants and contracts	347,855	517,638	91,144	426,015	476,124	19,000	429,769	74,042	637,149	121,210	240,311	18,050	375,000	3,773,307
Sales and services of educational departments	5,342	16,260	20,530	71,566	164,904	7,106	93,923	-	142,444	-	-	96,399	-	618,474
Payments to employees	(11,610,809)	(18,965,983)	(31,210,200)	(22,195,154)	(26,647,001)	(12,554,576)	(31,525,059)	(8,953,421)	(25,772,089)	(8,902,154)	(18,494,902)	(18,817,239)	(12,730,376)	(248,378,963)
Payments for fringe benefits	(7,884,846)	(13,572,734)	(20,141,089)	(14,902,998)	(18,960,295)	(8,357,216)	(22,678,115)	(6,226,113)	(15,463,776)	(6,125,655)	(12,295,764)	(12,323,430)	(8,233,856)	(167,165,887)
Payments to students	(2,199,022)	(3,602,996)	(5,480,679)	(4,542,550)	(4,452,283)	(2,081,027)	(6,250,355)	(1,004,652)	(4,939,733)	(914,448)	(3,673,693)	(3,696,128)	(58,178)	(42,895,744)
Payments to vendors	(3,750,731)	(4,666,473)	(8,042,156)	(6,646,211)	(5,644,660)	(3,436,076)	(5,897,886)	(1,685,084)	(6,896,756)	(2,067,348)	(4,393,389)	(5,250,295)	(12,891,629)	(71,268,694)
Payments by Department of Construction Services (DCS)	-	-	-	-	-	-	-	-	-	-	-	(20,000)	-	(20,000)
Other receipts, net	262,306	308,387	604,677	425,769	432,599	112,139	281,422	96,386	383,424	126,670	426,247	728,927	1,868,334	6,057,287
Net cash used in operating activities	<u>(20,568,107)</u>	<u>(32,714,826)</u>	<u>(48,787,094)</u>	<u>(37,998,702)</u>	<u>(40,830,002)</u>	<u>(20,035,176)</u>	<u>(49,150,820)</u>	<u>(14,888,895)</u>	<u>(36,939,857)</u>	<u>(14,678,844)</u>	<u>(30,102,078)</u>	<u>(30,568,621)</u>	<u>(31,072,995)</u>	<u>(408,336,017)</u>
Cash flows from investing activities														
Interest income	19,556	-	24,344	306,714	251,841	90,195	224,021	37,195	203,876	186,025	240,990	36,330	320,698	1,941,785
Net cash provided by investing activities	<u>19,556</u>	<u>-</u>	<u>24,344</u>	<u>306,714</u>	<u>251,841</u>	<u>90,195</u>	<u>224,021</u>	<u>37,195</u>	<u>203,876</u>	<u>186,025</u>	<u>240,990</u>	<u>36,330</u>	<u>320,698</u>	<u>1,941,785</u>
Cash flows from capital and related financing activities														
State appropriations	11,437	5,399	137,800	59,125	23,094	361,234	8,505,609	-	12,072	1,296	700,937	-	7,435,415	17,253,418
Payments by Department of Construction Services (DCS)	(6,000)	-	-	(1,770,911)	-	-	(5,962,071)	(323,034)	(486,221)	(16,546)	-	(50,264)	(10,057)	(8,625,104)
Purchase of capital assets	(164,355)	(118,958)	(370,643)	(222,982)	(166,816)	(490,171)	(355,229)	(15,232)	(25,802)	(15,193)	(1,365,515)	(56,453)	(9,934,433)	(13,301,782)
Net cash (used in) provided by capital and related financing activities	<u>(158,918)</u>	<u>(113,559)</u>	<u>(232,843)</u>	<u>(1,934,768)</u>	<u>(143,722)</u>	<u>(128,937)</u>	<u>2,188,309</u>	<u>(338,266)</u>	<u>(499,951)</u>	<u>(30,443)</u>	<u>(664,578)</u>	<u>(106,717)</u>	<u>(2,509,075)</u>	<u>(4,673,468)</u>
Cash flows from noncapital financing activities														
State appropriations	14,250,177	21,644,818	35,818,969	26,396,578	32,720,886	15,459,437	37,418,806	11,915,794	28,379,857	12,011,160	21,912,539	21,941,346	22,140,763	302,011,130
Nonoperating federal grants	3,470,431	8,362,358	12,853,170	10,412,269	8,687,728	4,477,996	11,056,414	2,046,371	8,632,645	2,424,590	6,665,755	6,427,210	-	85,516,937
Private gifts	87,347	42,400	-	-	-	54,706	54,954	228,045	1,055,064	237,432	74,593	543	-	1,835,084
Federal Family Education Loan Program (FFELP)	1,774,551	950,908	529,578	484,339	697,240	470,992	1,161,050	399,814	438,551	-	1,116,261	1,653,256	-	9,676,540
Interagency transfers	(285,618)	(654,627)	(1,731,989)	(1,211,870)	(1,508,740)	(538,732)	(1,685,827)	(131,567)	(1,422,613)	(326,990)	(811,491)	(885,903)	11,195,967	-
Net cash provided by noncapital financing activities	<u>19,296,888</u>	<u>30,345,857</u>	<u>47,469,728</u>	<u>36,081,316</u>	<u>40,597,114</u>	<u>19,924,399</u>	<u>48,005,397</u>	<u>14,458,457</u>	<u>37,083,504</u>	<u>14,346,192</u>	<u>28,957,657</u>	<u>29,136,452</u>	<u>33,336,730</u>	<u>399,039,691</u>
Net increase (decrease) in cash and cash equivalents	(1,410,581)	(2,482,528)	(1,525,865)	(3,545,440)	(124,769)	(149,519)	1,266,907	(731,509)	(152,428)	(177,070)	(1,568,009)	(1,502,556)	75,358	(12,028,009)
Cash and cash equivalents at beginning of year	5,612,132	3,746,329	2,104,274	17,998,670	10,903,129	5,131,239	12,531,801	3,531,158	14,761,663	9,588,905	12,283,655	4,524,668	34,294,746	137,012,369
Cash and cash equivalents at end of year	\$ 4,201,551	\$ 1,263,801	\$ 578,409	\$ 14,453,230	\$ 10,778,360	\$ 4,981,720	\$ 13,798,708	\$ 2,799,649	\$ 14,609,236	\$ 9,411,835	\$ 10,715,646	\$ 3,022,112	\$ 34,370,104	\$ 124,984,361

Connecticut Community Colleges
Combining Statement of Cash Flows
Year Ended June 30, 2019

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Cash flows from operating activities														
Student tuition and fees	\$ 3,753,784	5,243,705	13,054,611	7,261,662	12,855,563	6,084,646	13,318,515	1,984,750	13,496,912	2,328,420	7,326,418	8,125,760	452,412	\$ 95,287,158
Government grants and contracts	1,037,890	2,154,881	3,439,960	2,770,937	2,764,455	791,837	6,140,643	866,603	2,545,071	664,488	1,380,518	1,990,172	126,084	26,673,539
Private grants and contracts	86,850	674,235	269,611	640,849	198,347	47,550	467,943	77,819	994,104	209,983	301,251	68,800	245,488	4,282,830
Sales and services of educational departments	18,135	25,461	42,996	120,553	114,359	3,820	132,847	-	196,278	-	-	140,046	-	794,495
Payments to employees	(11,321,196)	(18,955,886)	(31,098,397)	(22,332,620)	(27,969,140)	(12,425,371)	(32,473,636)	(8,831,368)	(26,346,078)	(8,885,678)	(18,481,100)	(19,153,787)	(11,439,220)	(249,713,477)
Payments for fringe benefits	(7,551,081)	(13,058,377)	(20,341,247)	(15,229,961)	(19,490,548)	(8,190,261)	(23,383,305)	(6,280,135)	(15,894,752)	(5,849,600)	(12,593,060)	(12,508,493)	(7,563,333)	(167,934,153)
Payments to students	(2,129,326)	(2,991,402)	(4,375,579)	(3,522,236)	(3,837,938)	(1,819,204)	(5,297,827)	(851,228)	(4,706,590)	(817,709)	(2,983,668)	(3,076,612)	(137,602)	(36,546,921)
Payments to vendors	(3,847,298)	(4,636,412)	(9,835,725)	(8,329,057)	(5,425,209)	(3,478,236)	(6,536,102)	(2,218,134)	(7,233,298)	(2,628,647)	(4,840,750)	(5,295,877)	(10,733,266)	(75,038,011)
Payments by Department of Construction Services (DCS)	-	-	-	-	-	-	-	-	(85,052)	-	-	-	(221,567)	(306,619)
Other receipts, net	241,208	166,366	492,656	307,911	764,422	139,182	255,886	166,271	371,676	147,966	729,525	375,229	2,216,319	6,374,617
Net cash used in operating activities	(19,711,034)	(31,377,429)	(48,351,114)	(38,311,962)	(40,025,689)	(18,846,037)	(47,375,036)	(15,085,422)	(36,661,729)	(14,830,777)	(29,160,866)	(29,334,762)	(27,054,685)	(396,126,542)
Cash flows from investing activities														
Interest income	21,095	4,382	41,209	218,611	182,460	68,158	168,006	27,087	132,672	107,633	182,665	33,852	238,132	1,425,962
Net cash provided by investing activities	21,095	4,382	41,209	218,611	182,460	68,158	168,006	27,087	132,672	107,633	182,665	33,852	238,132	1,425,962
Cash flows from capital and related financing activities														
State appropriations	1,110,054	34,503	288,496	382,413	52,806	74,830	102,048	43,259	692,028	27,272	1,057,191	-	10,948,536	14,813,436
Payments by Department of Construction Services (DCS)	(24,225)	-	-	(2,019,861)	(919)	(1,438)	(943,748)	(362,189)	(708,036)	(43,613)	(132,064)	-	-	(4,236,093)
Purchase of capital assets	(886,200)	(99,833)	(374,305)	(529,883)	(351,284)	(74,362)	(193,240)	(44,136)	(131,319)	(198,674)	(73,279)	(503,484)	(10,338,492)	(13,798,491)
Interagency transfers	-	(5,000)	-	(230,344)	(59,240)	-	(16,500)	-	174,144	149,245	(57,673)	-	45,368	-
Net cash (used in) provided by capital and related financing activities	199,629	(70,330)	(85,809)	(2,397,675)	(358,637)	(970)	(1,051,440)	(363,066)	26,817	(65,770)	794,175	(503,484)	655,412	(3,221,148)
Cash flows from noncapital financing activities														
State appropriations	15,227,553	22,056,989	34,899,308	25,729,932	32,216,732	14,412,573	38,011,254	11,863,172	25,850,223	11,126,430	21,556,530	20,724,756	27,009,937	300,685,389
Pell grants	2,810,272	6,644,377	11,042,633	9,450,258	8,288,726	3,362,619	9,785,237	1,684,741	7,777,410	2,329,110	5,930,391	6,111,858	-	75,217,632
Private gifts	262,214	37,600	-	-	-	72,953	43,904	118,586	956,977	201,250	31,739	1,678	-	1,726,901
Federal Family Education Loan Program (FFELP)	1,759,640	921,117	705,810	488,744	649,770	394,809	930,335	371,966	667,858	-	1,129,652	1,887,072	-	9,906,773
Interagency transfers	680,488	(687,333)	(282,186)	(440,100)	(2,031,156)	694,693	(2,636,069)	686,961	683,411	1,235,795	(656,784)	21,915	2,730,365	-
Net cash provided by noncapital financing activities	20,740,167	28,972,750	46,365,565	35,228,834	39,124,072	18,937,647	46,134,661	14,725,426	35,935,879	14,892,585	27,991,528	28,747,279	29,740,302	387,536,695
Net increase (decrease) in cash and cash equivalents	1,249,857	(2,470,627)	(2,030,149)	(5,262,192)	(1,077,794)	158,798	(2,123,809)	(695,975)	(566,361)	103,671	(192,498)	(1,057,115)	3,579,161	(10,385,033)
Cash and cash equivalents at beginning of year	4,362,275	6,216,956	4,134,423	23,260,862	11,980,923	4,972,441	14,655,610	4,227,133	15,328,024	9,485,234	12,476,153	5,581,783	30,715,585	147,397,402
Cash and cash equivalents at end of year	\$ 5,612,132	\$ 3,746,329	\$ 2,104,274	\$ 17,998,670	\$ 10,903,129	\$ 5,131,239	\$ 12,531,801	\$ 3,531,158	\$ 14,761,663	\$ 9,588,905	\$ 12,283,655	\$ 4,524,668	\$ 34,294,746	\$ 137,012,369

Connecticut Community Colleges
Combining Statement of Net Position by Fund Group
As of June 30, 2020

CSCU

	Primary Institution					Total
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	
Assets						
Current assets						
Cash and cash equivalents	\$ 88,628,332	\$ 2,039,036	\$ 12,664,875	\$ 21,652,118	\$ -	\$ 124,984,361
Accounts receivable, due from the State	33,608,127	-	-	-	-	33,608,127
Accounts receivable other, net	16,734,765	48,991	435,208	-	-	17,218,964
Prepaid expenses and other current assets	72,159	-	255,368	-	-	327,526
Total current assets	<u>139,043,382</u>	<u>2,088,027</u>	<u>13,355,450</u>	<u>21,652,118</u>	<u>-</u>	<u>176,138,978</u>
Non-current assets						
Investment in plant	-	-	-	-	1,129,852,592	1,129,852,592
Accumulated depreciation	-	-	-	-	(423,048,898)	(423,048,898)
Investment in plant, net of accumulated depreciation	-	-	-	-	706,803,694	706,803,694
Student loans, net	-	428,307	-	-	-	428,307
Total non-current assets	<u>-</u>	<u>428,307</u>	<u>-</u>	<u>-</u>	<u>706,803,694</u>	<u>707,232,001</u>
Total assets	<u>\$ 139,043,382</u>	<u>\$ 2,516,334</u>	<u>\$ 13,355,450</u>	<u>\$ 21,652,118</u>	<u>\$ 706,803,694</u>	<u>\$ 883,370,979</u>
Deferred outflows of resources						
Deferred pension	\$ 265,264,534	\$ -	\$ -	\$ -	\$ -	\$ 265,264,534
Deferred other post employment benefits	292,831,067	-	-	-	-	292,831,067
Total deferred outflows of resources	<u>\$ 558,095,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 558,095,601</u>
Liabilities						
Current liabilities						
Accounts payable	\$ 3,710,500	\$ -	\$ 1,365,280	\$ -	\$ -	\$ 5,075,780
Accrued expenses - salary and fringe benefits	43,738,441	-	-	-	-	43,738,441
Accrued compensated absences - current portion	3,282,959	-	-	-	-	3,282,959
Unearned tuition and grant revenue	15,020,483	-	-	-	-	15,020,483
Retainage	-	-	-	495,701	-	495,701
Agency and loan fund liabilities	-	2,464,589	-	-	-	2,464,589
Other liabilities	1,020,046	-	-	-	-	1,020,046
Total current liabilities	<u>66,772,429</u>	<u>2,464,589</u>	<u>1,365,280</u>	<u>495,701</u>	<u>-</u>	<u>71,097,999</u>
Non-current liabilities						
Pension liability, net	920,928,258	-	-	-	-	920,928,258
Other post employment benefits liability net	1,128,067,973	-	-	-	-	1,128,067,973
Accrued compensated absences - long term portion	37,077,217	-	-	-	-	37,077,217
Total non-current liabilities	<u>2,086,073,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,086,073,448</u>
Total liabilities	<u>\$ 2,152,845,877</u>	<u>\$ 2,464,589</u>	<u>\$ 1,365,280</u>	<u>\$ 495,701</u>	<u>\$ -</u>	<u>\$ 2,157,171,447</u>
Deferred inflows of resources						
Deferred pension	\$ 18,776,641	\$ -	\$ -	\$ -	\$ -	\$ 18,776,641
Deferred other post employment benefits	90,384,212	-	-	-	-	90,384,212
Total deferred inflows of resources	<u>\$ 109,160,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,160,853</u>
Net position						
Invested in capital assets, net	\$ -	\$ -	\$ -	\$ -	\$ 706,803,694	\$ 706,803,694
Restricted						
Nonexpendable	-	20,000	-	-	-	20,000
Expendable	2,546,050	31,745	11,990,170	21,156,417	-	35,724,382
Unrestricted	(1,567,413,797)	-	-	-	-	(1,567,413,797)
Total net position	<u>\$ (1,564,867,746)</u>	<u>\$ 51,745</u>	<u>\$ 11,990,170</u>	<u>\$ 21,156,417</u>	<u>\$ 706,803,694</u>	<u>\$ (824,865,721)</u>

	Primary Institution					Total
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	
Assets						
Current assets						
Cash and cash equivalents	\$ 93,378,235	\$ 1,912,043	\$ 19,968,920	\$ 21,753,171	\$ -	\$ 137,012,369
Accounts receivable, due from the State	30,141,227	-	-	-	-	30,141,227
Accounts receivable other, net	16,968,655	7,351	2,151,685	-	-	19,127,691
Prepaid expenses and other current assets	102,044	-	228,091	-	-	330,135
Total current assets	140,590,161	1,919,394	22,348,696	21,753,171	-	186,611,422
Non-current assets						
Investment in plant	-	-	-	-	1,117,088,049	1,117,088,049
Accumulated depreciation	-	-	-	-	(399,026,754)	(399,026,754)
Investment in plant, net of accumulated depreciation	-	-	-	-	718,061,295	718,061,295
Student loans, net	-	234,279	-	-	-	234,279
Total non-current assets	-	234,279	-	-	718,061,295	718,295,574
Total assets	\$ 140,590,161	\$ 2,153,673	\$ 22,348,696	\$ 21,753,171	\$ 718,061,295	\$ 904,906,996
Deferred outflows of resources						
Deferred pension	\$ 216,468,505	\$ -	\$ -	\$ -	\$ -	\$ 216,468,505
Deferred other post employment benefits	45,817,895	-	-	-	-	45,817,895
Total deferred outflows of resources	\$ 262,286,400	\$ -	\$ -	\$ -	\$ -	\$ 262,286,400
Liabilities						
Current liabilities						
Accounts payable	\$ 2,652,211	\$ -	\$ 3,439,778	\$ -	\$ -	\$ 6,091,989
Accrued expenses - salary and fringe benefits	40,600,862	-	-	-	-	40,600,862
Accrued compensated absences - current portion	3,145,344	-	-	-	-	3,145,344
Unearned tuition and grant revenue	14,996,470	-	-	-	-	14,996,470
Retainage	-	-	-	3,363,748	-	3,363,748
Agency and loan fund liabilities	-	2,059,983	-	-	-	2,059,983
Other liabilities	799,862	-	-	-	-	799,862
Total current liabilities	62,194,749	2,059,983	3,439,778	3,363,748	-	71,058,258
Non-current liabilities						
Pension liability, net	795,762,269	-	-	-	-	795,762,269
Other post employment benefits liability net	829,795,327	-	-	-	-	829,795,327
Accrued compensated absences - long term portion	35,554,815	-	-	-	-	35,554,815
Federal loan program advances	-	41,944	-	-	-	41,944
Total non-current liabilities	1,661,112,411	41,944	-	-	-	1,661,154,355
Total liabilities	\$ 1,723,307,160	\$ 2,101,927	\$ 3,439,778	\$ 3,363,748	\$ -	\$ 1,732,212,613
Deferred inflows of resources						
Deferred pension	\$ 25,095,368	\$ -	\$ -	\$ -	\$ -	\$ 25,095,368
Deferred other post employment benefits	77,264,341	-	-	-	-	77,264,341
Total deferred inflows of resources	\$ 102,359,709	\$ -	\$ -	\$ -	\$ -	\$ 102,359,709
Net position						
Invested in capital assets, net	\$ -	\$ -	\$ -	\$ -	\$ 718,061,295	\$ 718,061,295
Restricted						
Nonexpendable	-	20,000	-	-	-	20,000
Expendable	2,879,162	31,745	18,908,918	18,389,423	-	40,209,248
Unrestricted	(1,425,669,469)	-	-	-	-	(1,425,669,469)
Total net position	\$ (1,422,790,308)	\$ 51,745	\$ 18,908,918	\$ 18,389,423	\$ 718,061,295	\$ (667,378,927)

Connecticut Community Colleges

Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group
Year Ended June 30, 2020

CSCU

	Primary Institution					Total
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	
Operating revenues						
Student tuition and fees	\$ 176,460,816	\$ -	\$ -	\$ -	\$ -	\$ 176,460,816
Less: Scholarship discounts and allowances	(83,771,167)	-	-	-	-	(83,771,167)
Net tuition and fees	92,689,649	-	-	-	-	92,689,649
Federal grants and contracts	12,114,800	-	-	-	-	12,114,800
State and local grants and contracts	11,901,055	-	-	-	-	11,901,055
Nongovernment grants and contracts	4,803,727	-	-	-	11,803	4,815,529
Auxiliary revenues	415,126	-	-	-	-	415,126
Other operating revenues	3,179,529	-	-	-	50,551	3,230,081
Total operating revenues	125,103,886	-	-	-	62,354	125,166,240
Operating expenses						
Salaries and wages	252,209,342	-	-	-	-	252,209,342
Fringe benefits	305,503,637	-	-	-	-	305,503,637
Professional services and fees	8,530,826	-	960,366	-	-	9,491,192
Educational services and support	7,988,264	-	717,339	-	-	8,705,604
Travel expenses	2,072,687	-	2,946	-	-	2,075,633
Operation of facilities	24,511,372	-	2,591,312	-	-	27,102,684
Other operating supplies and expenses	10,870,190	-	4,480,505	-	-	15,350,695
Scholarship aid, net	40,859,546	-	-	-	-	40,859,546
Depreciation expense	-	-	-	-	30,156,387	30,156,387
Total operating expenses	652,545,865	-	8,752,467	-	30,156,387	691,454,719
Operating loss	(527,441,979)	-	(8,752,467)	-	(30,094,033)	(566,288,479)
Nonoperating revenues						
State appropriation - general fund	300,940,479	-	-	-	-	300,940,479
State appropriation - bond fund	-	-	13,887,716	8,524,052	-	22,411,768
Pell grant revenue	75,035,663	-	-	-	-	75,035,663
Federal emergency grant revenue	9,201,051	-	-	-	-	9,201,051
Investment income	1,212,724	-	-	-	-	1,212,724
Interest expense	-	-	-	-	-	-
Other non-operating revenue.expense, net	-	-	-	-	-	-
Total nonoperating revenues	386,389,918	-	13,887,716	8,524,052	-	408,801,686
Loss before other changes in net position	(141,052,061)	-	5,135,249	8,524,052	(30,094,033)	(157,486,793)
Other changes in net position						
Capital and other additions (deductions)	(1,025,378)	-	(12,053,997)	(5,757,058)	18,836,432	-
Interagency transfers	-	-	-	-	-	-
Total other changes in net position	(1,025,378)	-	(12,053,997)	(5,757,058)	18,836,432	-
Change in net position	(142,077,439)	-	(6,918,747)	2,766,994	(11,257,601)	(157,486,793)
Net position, beginning of year	(1,422,790,308)	51,745	18,908,918	18,389,423	718,061,295	(667,378,927)
Net position, end of year	\$ (1,564,867,746)	\$ 51,745	\$ 11,990,170	\$ 21,156,417	\$ 706,803,694	\$ (824,865,720)

Connecticut Community Colleges

Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group

Year Ended June 30, 2019

CSCU

	Primary Institution					Total
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	
Operating revenues						
Student tuition and fees	\$ 183,201,246	\$ -	\$ -	\$ -	\$ -	\$ 183,201,246
Less: Scholarship discounts and allowances	(84,947,563)	-	-	-	-	(84,947,563)
Net tuition and fees	98,253,683	-	-	-	-	98,253,683
Federal grants and contracts	13,970,305	-	-	-	-	13,970,305
State and local grants and contracts	11,854,182	-	-	-	-	11,854,182
Nongovernment grants and contracts	5,789,537	-	-	-	30,916	5,820,452
Auxiliary revenues	564,095	-	-	-	-	564,095
Other operating revenues	3,480,867	-	-	-	19,995	3,500,862
Total operating revenues	133,912,669	-	-	-	50,911	133,963,580
Operating expenses						
Salaries and wages	243,996,943	-	-	-	-	243,996,943
Fringe benefits	221,193,001	-	-	-	-	221,193,001
Professional services and fees	7,823,001	255	935,916	141,995	(72,131)	8,829,037
Educational services and support	8,219,220	-	1,264,349	-	-	9,483,569
Travel expenses	2,575,082	-	-	-	-	2,575,082
Operation of facilities	26,807,322	-	2,980,462	-	-	29,787,785
Other operating supplies and expenses	11,306,040	-	7,809,839	-	-	19,115,879
Scholarship aid, net	29,751,640	-	-	-	-	29,751,640
Depreciation expense	-	-	-	-	30,521,990	30,521,990
Total operating expenses	551,672,249	255	12,990,567	141,995	30,449,858	595,254,925
Operating loss	(417,759,580)	(255)	(12,990,567)	(141,995)	(30,398,948)	(449,327,678)
Nonoperating revenues						
State appropriation - general fund	283,350,238	-	-	-	-	283,350,238
State appropriation - bond fund	-	-	26,684,634	1,429,725	-	28,114,359
Pell grant revenue	75,144,201	-	-	-	-	75,144,201
Investment income	1,939,620	-	-	-	-	1,939,620
Total nonoperating revenues	360,434,059	-	26,684,634	1,429,725	-	388,548,418
Loss before other changes in net position	(57,325,521)	(255)	13,694,067	1,287,730	(30,398,948)	(72,742,927)
Other changes in net position						
Capital and other additions (deductions)	(1,445,274)	-	(12,483,150)	(5,347,819)	19,276,243	-
Interagency transfers	188,488	-	-	(188,488)	-	-
Total other changes in net position	(1,256,786)	-	(12,483,150)	(5,536,307)	19,276,243	-
Change in net position	(58,582,307)	(255)	1,210,918	(4,248,577)	(11,122,705)	(72,742,927)
Net position, beginning of year	(1,364,208,000)	52,000	17,698,000	22,638,000	729,184,000	(594,636,000)
Net position, end of year	\$ (1,422,790,307)	\$ 51,745	\$ 18,908,918	\$ 18,389,423	\$ 718,061,295	\$ (667,378,927)

1. Basis of Presentation of Supplemental Information

The supplementary schedules are presented to provide information from the stand-alone books and records of the colleges and system office. The supplementary schedules exclude certain eliminating entries necessary to prepare the consolidated financial statements of CCC. 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 colleges as reported in the financial statements of CCC because the liability has not been allocated to the colleges but rather is reflected only at the CCC system level in the basic financial statements.



**Charter Oak
State College**

2020

Financial Statements

INCLUDING

Required Supplementary Information
Additional Supplemental Information

June 30, 2020

Mission Statement

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



Members of the Board of Regents for Higher Education

(Between 7/1/19 – 6/30/20)

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

Regents as of 6/30/20

(Two vacancies: both legislative appointees.)

Matt Fleury, Chair
Merle W. Harris, Vice Chair
Richard J. Balducci
Aviva D. Budd
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Ex-Officio, Non-voting members

David Blitz –Chair of the Faculty Advisory Committee
Colena Sesanker – Vice Chair of the Faculty Advisory Committee
Kurt Westby – Commissioner of the CT Department of Labor
Dr. Miguel A. Cardona – Commissioner of the State Department of Education
David Lehman – Commissioner of Department of Economic and Community Development (joined March 2019)
Dr. Deidre Gifford - Acting Commissioner CT Dept. of Public Health

Former Board members (who served between 7/1/19 – 6/30/20)

Pete Rosa
Renée D. Coleman-Mitchell, Former Commissioner, Department of Public Health

Charter Oak State College

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New Britain, CT 06053

Ed Klonoski, President

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Mark E. Ojakian, President

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Introduction

Management Discussion & Analysis provides an overview of the financial position and activities of the Charter Oak State College ("COSC" or "Combining Unit") and its component units for the fiscal year ended June 30, 2020, along with certain comparative information for the prior fiscal year ended June 30, 2019. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

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

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

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

Using The Financial Statements

COSC's financial report includes the following financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35 established standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of COSC as a whole. As required by GASB Statements No. 34 and 35, a condensed comparative analysis of fiscal year 2020 to prior reporting periods is included. Full financial statements and footnotes for fiscal year 2020 are also presented, both for the COSC *primary institution*, as well as for certain other organizations that have a significant related party relationship with COSC (the "component units").

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

Financial Highlights

Charter Oak State College had total assets of \$11.6 million, deferred outflows of \$16.2 million, liabilities of \$60.1 million, deferred inflows of \$3.2 million and a total net position balance of (\$35.5) million as of June 30, 2020. Of this amount, (\$37.6) million is classified as unrestricted net position which decreased slightly as compared to 2019. 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.

June 30, 2020 and 2019

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were \$9.8 million, flat as compared to the previous year. Operating expenses were \$21.3 million, a 12% increase from the previous year, resulting in an operating loss of \$11.4 million during the year ended June 30, 2020. Net non-operating revenues and other changes were \$8.9 million up 4% compared with prior year. State of Connecticut general fund appropriations were also flat with fiscal 2019 at 6.1 million.

Cash and cash equivalents were \$8.3 million at June 30, 2020, including \$0.3 million of cash equivalents restricted for use in the form of State appropriations reserved for specific programmatic expenditures or other governing agreements. Total current assets were \$9.8 million as of June 30, 2020 compared to \$7.1 million in the prior year. The ratio of unrestricted current assets was 3.7:1 in 2020 as compared to 2.8:1 in fiscal 2019. The current ratio reflects a financial position sufficient to provide short term liquidity. Non-current liabilities increased to \$57.5 million from \$47.5 million between June 30, 2020 and 2019. The majority of this significant liability is composed of the net pension and other post-employment benefit liabilities. These large liabilities represent long-term obligations that are paid by the State of Connecticut and not COSC individually. The remaining long-term liability of \$0.9 million represents the long-term portion of the accrued value of vacation and sick time benefits earned by employees which must be paid out when they retire or otherwise terminate service in the future (net of the estimated amounts to be paid out in the upcoming year).

Statements of Net Position

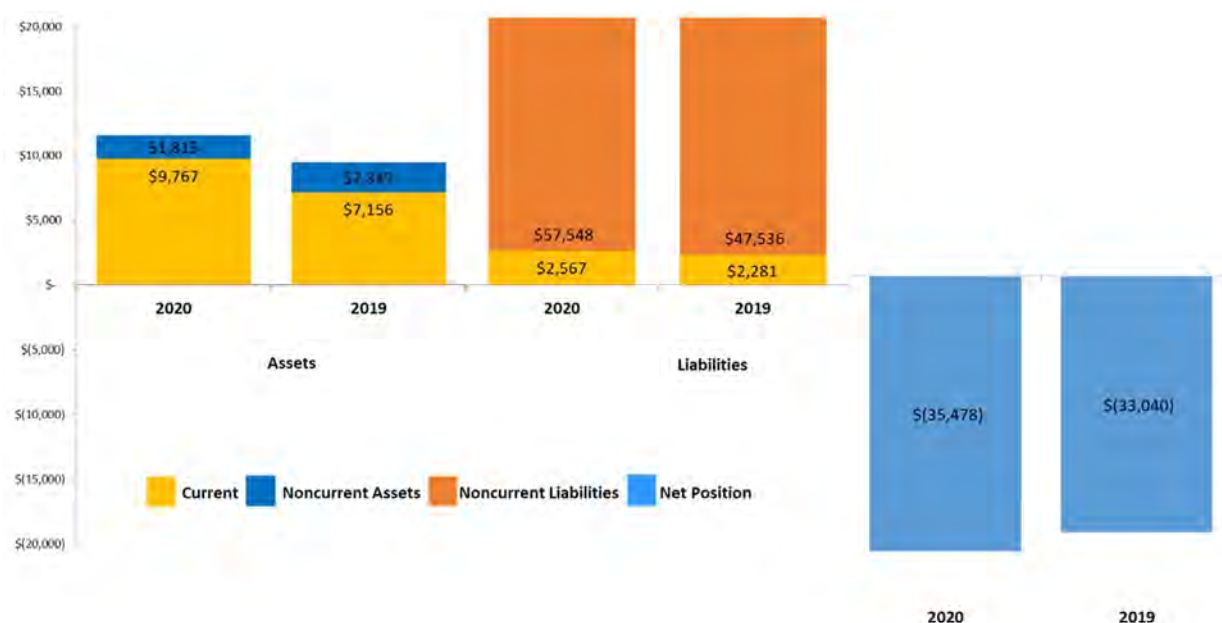
The Statements of Net Position presents the overall financial position of COSC at the end of the fiscal year and includes all assets and liabilities of Charter Oak State College, including capital assets net of depreciation.

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

	2020	2019	% Change
ASSETS			
Current assets	\$ 9,767	\$ 7,156	36%
Non-current assets	1,815	2,349	-23%
Total assets	11,582	9,505	22%
DEFERRED OUTFLOWS OF RESOURCES	16,236	10,377	56%
LIABILITIES			
Current liabilities	2,567	2,281	13%
Noncurrent liabilities	57,548	47,536	21%
Total liabilities	60,115	49,817	21%
DEFERRED INFLOWS OF RESOURCES	3,181	3,105	2%
NET POSITION			
Invested in capital assets	1,815	2,349	-23%
Restricted-expendable	336	563	-40%
Unrestricted	(37,629)	(35,952)	5%
Total net position	(35,478)	(33,040)	-7%

June 30, 2020 and 2019

Current assets consist of cash, cash equivalents, accounts receivable and prepaid assets. The 36% increase in current assets from the previous year is largely attributable to an increase in cash. Both prepaid assets and accounts receivable increased slightly. 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.



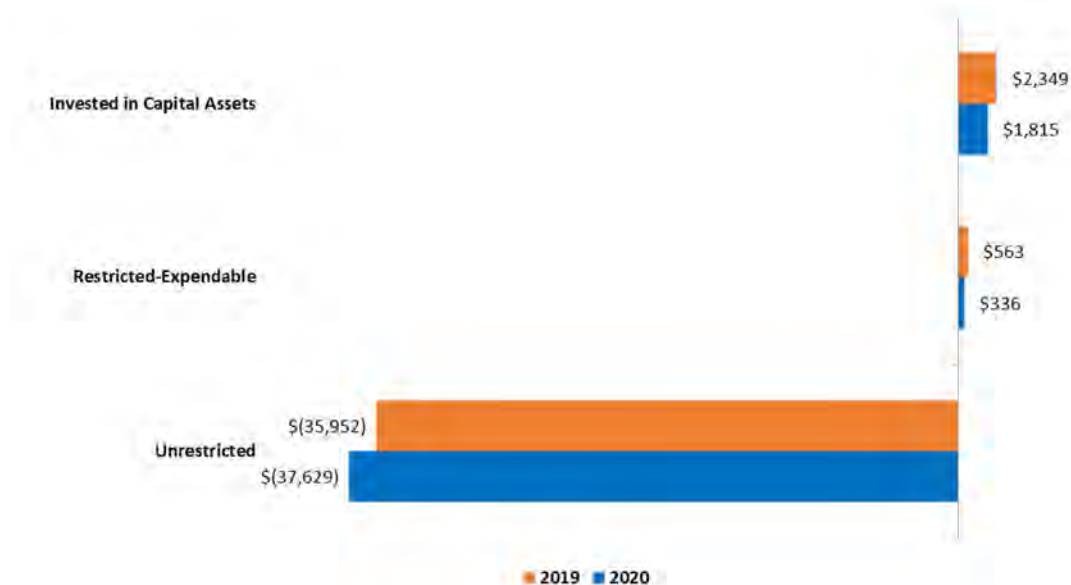
Non-current assets decreased 23% from \$2.3 million at June 30, 2019, to \$1.8 million at June 30, 2020. Net capital assets account for the total amount of non-current assets. At June 30, 2020, capital assets in service totaled \$5.8 million, offset by \$4.0 million in accumulated depreciation; this compared with \$3.4 million of depreciation at the end of fiscal year 2019. The decrease in fiscal 2020 was related to a slowdown of capital expenditures as compared to the refresh of a technological data center in historical periods.

Current liabilities consist primarily of accrued payroll and related benefits, unearned revenue, and accounts payable. Total current liabilities were \$2.6 million at the end of fiscal year 2020, representing a \$0.3 million increase from fiscal year 2019. The most significant current liability was employee salary and fringe benefit payable of \$1.0 million. Additional current liabilities include unearned tuition revenue, accrued compensated absences (sick and vacation time benefits) that will be paid within the coming year.

Non-current liabilities consist of \$24.0 million in pension liability, \$32.6 million in other post-employment benefit liabilities and long-term accrued compensated absences ("ACA") of \$0.9 million— to be paid out to terminating employees over time in the future beyond one year. Total non-current liabilities increased by \$10.0 million in 2020 due to increases in retirement benefits. The total ACA liability coupled with the pension and other post-employment benefit liabilities exceed the assets of COSC, and causes the unrestricted net position balance to be negative. In practice, however, the ACA liability represents the total payout should 100% of the employees resign immediately while the pension and other post-employment benefit liabilities reflect the allocation of a small share of the State of Connecticut's unfunded pension and OPEB liabilities and The State of Connecticut is resolving these liabilities through amortization over approximately 25 years using general fund appropriations to COSC and not using dollars attached to COSC's net position.

June 30, 2020 and 2019

The total *net position* balance includes \$1.8 million *Invested in capital assets, net of depreciation*. Charter Oak State College does not carry capital debt. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in COSC's financial statements.

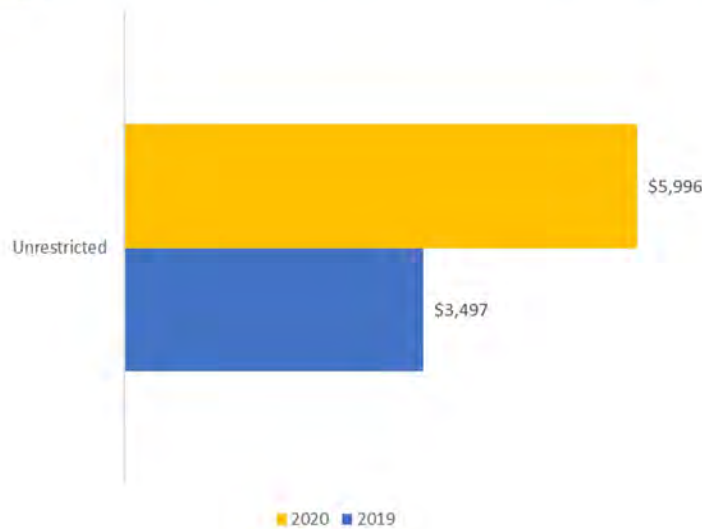


Restricted-Expendable net position represents primarily bond fund appropriation balances at June 30, 2020 and unexpended funds held for certain minor grant program activities. There were no significant changes in restricted-expendable net position year over year.

Unrestricted net position ("UNP") has shifted to a negative balance with the recognition of the pension liability and other post-employment benefit liability. Excluding the pension and other post-employment benefit liabilities, UNP increased by \$2.5 million to \$6.0 million during fiscal year 2020. The increase was due to excess revenues over expenses driven by the cost saving measures implemented by the College and greater than expected enrollment. The table below illustrates the fluctuations in aggregate COSC UNP over the past several years:

	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
UNP Excluding Pension and OPEB Liability	\$1.5	\$1.2	\$0.7	\$0.8	\$0.9	\$3.5	\$6.0
UNP Adjusted for Pension Liability:	-	(\$6.1)	(\$6.7)	(\$7.4)	(\$8.9)	(\$8.7)	(\$9.0)
UNP Adjusted for Pension & OPEB Liability:	-	-	-	(\$34.3)	(\$36.0)	(\$36.0)	(\$37.6)

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



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents COSC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2020 were \$9.8 million, up 1% from \$9.7 million in fiscal year 2019. *Student tuition and fees* of \$12.2 million represent the largest portion of operating revenue on a gross basis but are offset by student financial aid and waivers resulting in net tuition and fee revenue of \$9.0 million after scholarship allowances. These revenues reflect an FTE credit enrollment increase coupled by tuition rate increases in 2020. Additional operating revenues were down \$0.4 million from 2019 due to the closure of the Connecticut Distance Learning Consortium, a former subsidiary of COSC.

June 30, 2020 and 2019

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

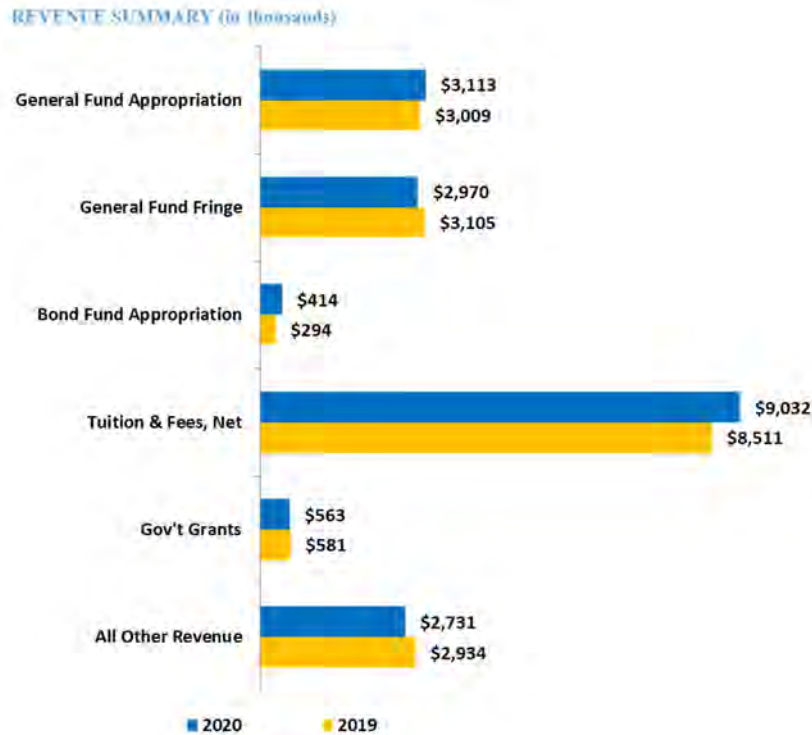
	2020	2019	% Change
OPERATING REVENUES			
Tuition and fees, net	9,032	8,511	6%
Government grants and contracts	563	581	-3%
Additional operating revenues	245	672	-64%
Total operating revenues	9,840	9,764	1%
OPERATING EXPENSES			
Expenses before depreciation	20,726	18,405	13%
Depreciation	535	655	-18%
Total operating expenses	21,261	19,060	12%
Operating loss	(11,421)	(9,296)	-23%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund *	6,083	6,114	-1%
State appropriations - capital appropriations	414	294	41%
PELL Grants	2,377	2,139	11%
Other non-operating revenues (expenses), net	109	123	-11%
Net non-operating revenues	8,983	8,670	4%
NET POSITION			
Change in net position	(2,438)	(626)	-289%
Net position, beginning of year	(33,040)	(32,414)	-2%
Net position, end of year	\$ (35,478)	\$ (33,040)	-7%

* Including non-cash fringe benefit expenditures

Charter Oak State College recorded an operating loss of \$11.4 million during the year ended June 30, 2020. The primary contributing factors of the increase in loss year over year relates to increase per employee fringe benefit costs and pension expenses allocated to COSC by the State of Connecticut. In addition, State bond fund appropriations and Pell grant revenue being classified as *non-operating revenues* under GASB 35 although the expenditures of these resources on personnel, non-capital equipment, depreciation and scholarships are an operating expense contributing to the operating loss.

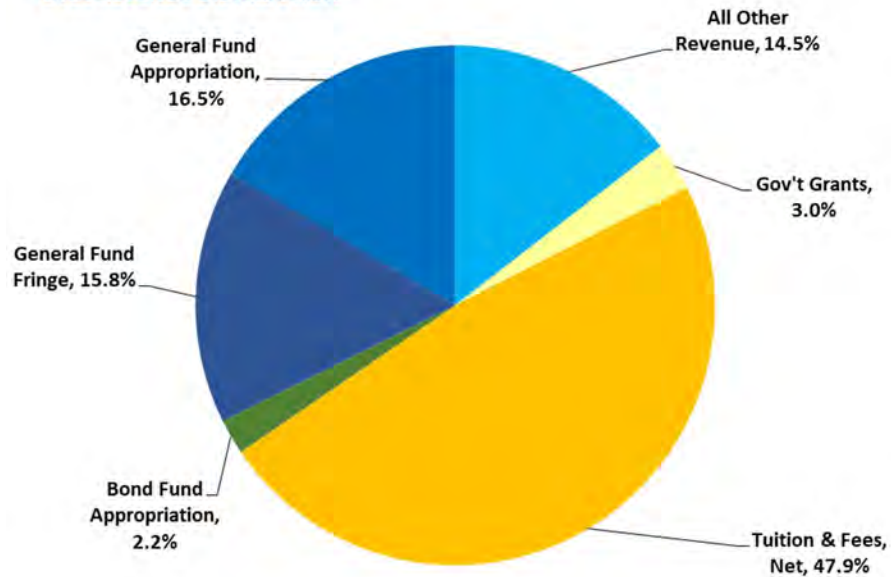
Government grant revenues are comprised of the federally funded Supplemental Education Opportunity Grant (“SEOG”) and the Adult Education grants together with other state government grants which fund various program-related activities. Government grant revenues at June 30, 2020 were \$0.6 million with federal and state dollars consistent with the previous fiscal year. *Additional operating revenues* totaled \$0.2 million in 2020, down 64% from \$0.7 million in fiscal year 2020 driven by the closure of the Connecticut Distance Learning Consortium.

June 30, 2020 and 2019



The State general fund appropriation for salaries and associated State of Connecticut reimbursements to cover fringe benefit remained flat in 2020. Bond fund appropriation revenues increased from \$0.3 million in 2019 to \$0.4 million in 2020 as no significant purchases for capital equipment were planned for 2020. Other non-operating activity in fiscal year 2020 was limited to income earned on cash balances invested by the State treasurer's office.

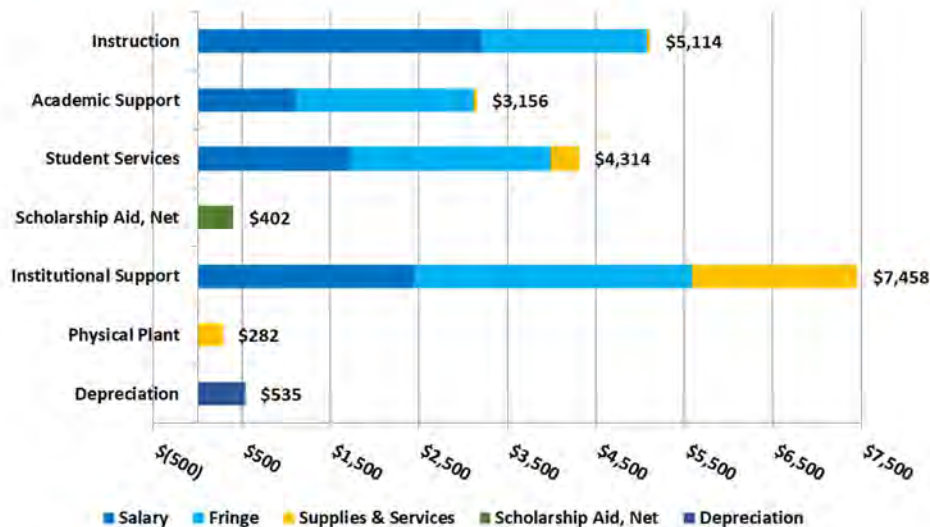
2020 REVENUE DISTRIBUTION



June 30, 2020 and 2019

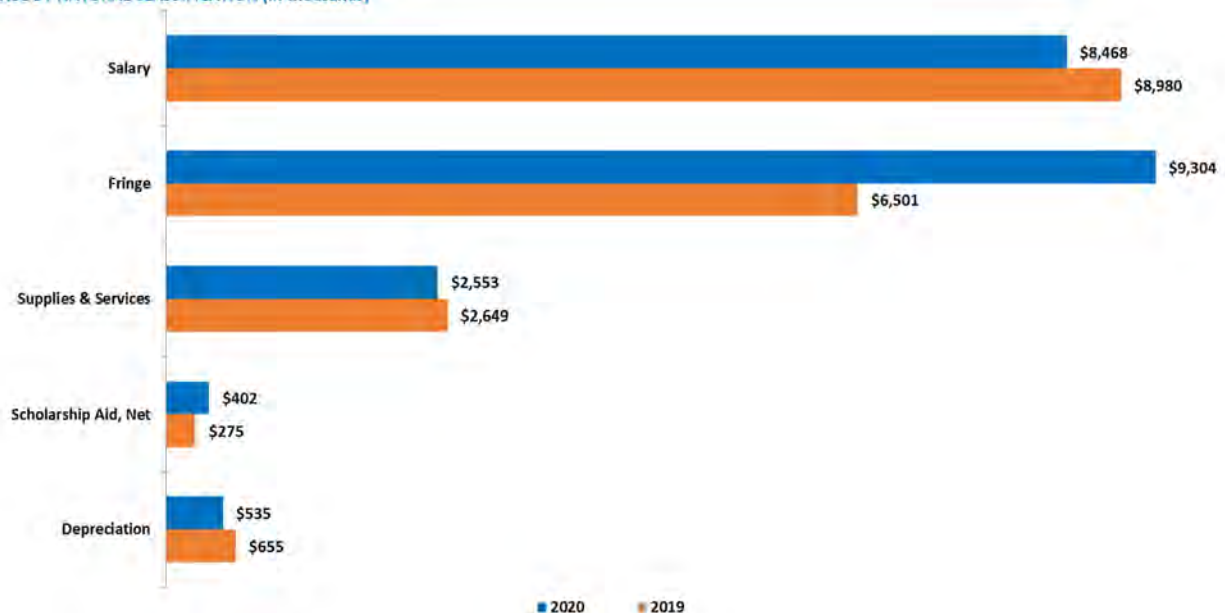
Total operating expenses for fiscal year 2020 were \$21.2 million. This reflects an operating expense increase of 12% from \$19.1 million in fiscal year 2019. The increase in fiscal year 2020 reflects an overall increase in fringe benefits.

2020 OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION (in thousands)



Supplies and services include expenditures for non-capital telecommunications and information technology-related services and supplies; premises and property-related expenses including utilities, security, maintenance and repairs, custodial and grounds, and other related costs, and all other non-personnel costs of operating the college.

EXPENSE BY NATURAL CLASSIFICATION (in thousands)



June 30, 2020 and 2019

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 \$8.8 million and receipts from government grants and contracts of \$0.6 million, which is up slightly as compared to the prior fiscal year. Cash is also received from other miscellaneous activities such as testing, educational services and Connecticut Credit Assessment Program (CCAP). The largest operating cash outflows include salaries paid to employees of \$10.3 million, up 2% from prior year. Operating cash outflows also include vendor payments of \$2.6 million, up 4% from prior year. Payments to students of \$0.4 million for financial aid refunds was consistent with prior year. Net cash used in operating activities increased 12% in fiscal year 2020 when compared to fiscal year 2019, reflecting greater personnel costs due to compensation and benefits issued in line with COSC's local employee bargaining unit. The State of Connecticut also directly covered a portion of the cost of fringe benefits for employees valued at \$3.0 million, representing a non-cash transaction for COSC.

Capital and related financing cash flows are derived from capital appropriations from the state. During fiscal year 2020, COSC received capital funding of \$0.4 million for purchases of software and building code compliance. Cash provided by *investing activities* represents small amounts of interest income earned on operating fund cash balances invested by the State treasurer on behalf of COSC and distributed quarterly.

Condensed Combined Statements of Cash Flows

Year Ended June 30

(in thousands)

	2020	2019	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	\$ (3,670)	\$ (3,221)	14%
Noncapital financing activities	5,493	5,239	5%
Capital and related financing activities	413	294	40%
Investing activities	104	69	51%
Net change in cash and cash equivalents	2,340	2,381	-2%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	6,005	3,624	66%
Cash and cash equivalents, end of year	\$ 8,345	\$ 6,005	39%

June 30, 2020 and 2019

Enrollment Table

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

<u>Year Ended June 30</u>	<u>Unduplicated Headcount</u>	<u>% Change</u>	<u>FTE</u>	<u>% Change</u>
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

While the COVID-19 pandemic has caused significant disruption and unemployment worldwide, the higher education sector has not been immune and has also experienced dramatic turbulence. As the average Charter Oak State College student is approximately 38 years old, students and their households are navigating health, social and financial strain and are working hard to avoid further disruption to their academic careers. This has and will continue to cause strain on enrollment, a problem not unique to the College and consistent with negative enrollment trends across the nation. This downward trend will challenge the College’s ability to balance annual budgets while avoiding tuition increases in future periods. The College has relaxed several financial and academic policies to accommodate the needs of the students as the pandemic persists to ensure the College’s mission is still achieved. The State of Connecticut’s Governor’s Office and General Assembly have additionally offered financial support for expenses associated with the pandemic.

Due to the distance learning nature of the College, the continuance of the pandemic into the fiscal 2021 year is not expected to force material changes to the academic or administrative operations of the College. Continued investments will be made into academic technology, information security, marketing initiatives and new undergraduate and graduate program development.

A single capital project is planned for fiscal 2021 whereby the College intends to consolidate its New Britain and Newington, Connecticut campuses into a newly renovated office building in downtown New Britain. Architectural plans are currently underway with construction commencing during the summer of 2021 with a slated occupancy date of April 2022. This renovated facility will provide a more welcome environment for enrollment, academic and financial advising while reducing annual operating overhead costs.

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).

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Regents of
Connecticut State Colleges and Universities

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Charter Oak State College, an enterprise fund of the State of Connecticut (the "College") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit (the affiliated foundation (the "Foundation")), which statements reflect total assets of \$2.1 million and total net assets of \$2.1 million as of June 30, 2020, and total revenues, capital gains and losses, and other support of \$132 thousand for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Charter Oak State College as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the College, an enterprise fund of the State of Connecticut, and do not purport to, and do not present fairly, the financial position of the State of Connecticut as of June 30, 2020, the changes in its financial position or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 1 through 10 and the Schedule of Net Pension Liability and Related Ratios, Schedule of Net Other Post-Employment Benefits and Related Ratios, and Schedule of Contributions on pages 33 through 36 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

GRANT THORNTON LLP (signed manually)

Boston, Massachusetts
December XX, 2020

As of June 30, 2020

	<u>2020</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 8,345,665
Accounts receivable, net	713,296
Other current assets	708,224
Total current assets	<u>9,767,185</u>
Noncurrent assets:	
Capital assets, net	<u>1,814,542</u>
Total noncurrent assets	1,814,542
Total assets	11,581,727
Deferred outflows of resources:	
Deferred pension	9,094,823
Deferred other post-employment benefits	<u>7,140,895</u>
Total deferred outflows of resources	16,235,718
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	89,978
Accrued payroll	1,033,186
Unearned tuition revenues	670,351
Accrued employee compensated absences	773,186
Total current liabilities	<u>2,566,701</u>
Noncurrent liabilities	
Accrued employee compensated absences	868,265
Net pension liability	24,012,571
Net other post-employment benefit liability	<u>32,666,738</u>
Total noncurrent liabilities	57,547,574
Total liabilities	<u>60,114,275</u>
Deferred inflows of resources:	
Deferred pension	138,905
Deferred other post-employment benefits	<u>3,043,231</u>
Total deferred inflows of resources	3,182,136
Net Assets	
Invested in capital assets, net of related debt	1,814,543
Restricted expendable	335,786
Unrestricted	<u>(37,629,295)</u>
Total net position (deficit)	<u>\$ (35,478,966)</u>

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, 2020

CSCU

	<u>2020</u>
Operating revenues:	
Student tuition and fees	\$ 12,214,110
Less: scholarships and fellowships	(3,181,650)
Net tuition and fees	<u>9,032,460</u>
Federal grants and contracts	341,830
State and local grants and contracts	220,938
Nongovernmental grants and contracts	-
Other operating revenues	<u>244,828</u>
Total operating revenues	<u>9,840,056</u>
Operating expenses:	
Personnel services and fees	17,806,624
Professional services and fees	295,367
Travel expenses	74,792
Operation and maintenance of plant	282,380
Student aid	402,225
Other operating expenses	1,864,556
Depreciation	<u>534,882</u>
Total operating expenses	<u>21,260,826</u>
Net operating income (loss)	<u>(11,420,770)</u>
Nonoperating revenues (Expenses):	
State appropriations	6,083,358
Investment income	104,471
Gain (loss) on disposal of capital assets	-
Other nonoperating revenues/expenses	3,390
Pell grants	<u>2,377,062</u>
Net nonoperating revenues	<u>8,568,281</u>
Increase (decrease) in net position before capital appropriations	(2,852,489)
Capital appropriations	<u>413,615</u>
Increase (decrease) in net position	(2,438,874)
Net position:	
Net assets - beginning of year	(33,040,094)
Net assets - end of year	<u>\$ (35,478,968)</u>

Year ended June 30, 2020

	<u>2020</u>
Cash flows from operating activities	
Tuition and fees	8,803,449
Grants and contracts	595,747
Payments to employees	(10,261,222)
Payments to suppliers and vendors	(2,650,784)
Payments to students	(402,225)
Other operating receipts	244,828
Net cash used in operating activities	<u>(3,670,207)</u>
Cash flows from non-capital financing activities	
State appropriations	3,112,823
Pell grants	2,377,062
Other	3,393
Net cash provided by non-capital financing activities	<u>5,493,278</u>
Cash flows from capital financing activities	
Capital appropriations	413,615
Purchases of capital assets	-
Net cash provided by capital financing activities	<u>413,615</u>
Cash flows from investing activities	
Interest on cash held by the State	<u>104,471</u>
Net increase (decrease) in cash and equivalents	2,341,157
Cash and equivalents, beginning of year	6,004,508
Cash and equivalents, end of year	<u>8,345,665</u>
Reconciliation of net operating loss to net cash used in operating activities	
Net operating loss	(11,420,770)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	534,882
Fringe benefits provided by the state	2,970,535
Changes in assets and liabilities:	
Accounts receivable	(111,712)
Other Current assets	(158,174)
Accounts payable	(66,019)
Accrued payroll	171,778
Accrued employee compensation and benefits	240,533
Unearned tuition revenues	43,648
Net pension obligation	2,872,234
Net other post-employment benefit obligation	1,252,858
Net cash used for operating activities	<u>\$ (3,670,207)</u>
Non-cash transaction	
Fringe benefits provided by the state	<u>\$ 2,970,535</u>

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

As of and for the year ended June 30, 2020

Statement of Financial Position

Assets	
Cash and cash equivalents	\$ 64,178
Investments	2,052,417
Other assets	625
Total assets	2,117,220
Liabilities	
Accounts payable	712.00
Total liabilities	712
Net assets	
Without donor restrictions	21,597
With donor restrictions	2,094,911
Total liabilities and net assets	\$ 2,117,220

Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	\$ 21,455	\$ 82,319	\$ 103,774
Interest income	51	-	51
Investment return, net	-	17,419	17,419
Fundraiser proceeds, net	-	10,306	10,306
Net assets released from restrictions:			
Restrictions satisfied by payments	181,097	(181,097)	-
Total revenues and support	202,603	(71,053)	131,550
Expenses			
Program services - scholarships and grants	177,752	-	177,752
Supporting services - administrative and fundraising	26,408	-	26,408
Total expenses	204,160	-	204,160
Change in net assets	(1,557)	(71,053)	(72,610)
Net position			
Net assets - beginning of year	23,154	2,165,964	2,189,118
Net assets - end of year	\$ 21,597	\$ 2,094,911	\$ 2,116,508

1. Summary of Significant Accounting Policies

Organization

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

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

Basis of Presentation

The financial statements for COSC have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by Government Accounting Standards Board (“GASB”). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. These financial statements include the statements of COSC and a discretely presented component unit.

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

- The statement of net position present information on all COSC’s assets, liabilities, deferred outflows and inflows, and net position.
- The statement of revenues, expenses and changes in net position present information showing how the COSC’s net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).
- The 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).

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

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (“FASB”) standards, which includes guidelines for Financial Reporting for Not-

for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's separately audited financial 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 Net Position of the component unit is classified as those net assets with and without donor restrictions consistent with the presentation required under ASU 2016-14 and the reporting framework applicable to the component unit.

Classification of Assets and Liabilities

COSC presents short-term and long-term assets and liabilities in the 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of COSC by the State Treasurer and has original maturities of three months or less (see Note 2).

Allowance for Doubtful Accounts

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

Fair Value of Financial Instruments

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

Investment in Plant

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

Accrued Compensated Absences ("ACA")

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

Pension & Other Post Employment Obligations

COSC records pension and other post-employment obligations equal to the net pension for its 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 scholarship allowance and waivers in accordance with GASB Statement No. 35. Student aid for scholarships recorded in the statement of revenues, expenses and changes in net position includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees is reflected as a scholarship allowance.

Operating Activities

Operating activities as reported on the 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, gifts and investment income.

Income Taxes

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

Use of Estimates

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

GASB Pronouncements Effective for Fiscal Year 2020

In January 2017, GASB released Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged. This standard was adopted in fiscal year 2020 and there was no impact as a result of the adoption.

GASB Pronouncements Effective in Future Fiscal Years

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 with earlier application encouraged. The College is in the process of determining the impact that the implementation of GASB No. 87 will have on the College's financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during

implementation and application of certain GASB Statements. The anticipated impact of this pronouncement is uncertain at this time and is under review by management.

Subsequent Events

In accordance with generally accepted accounting principles, COSC has evaluated subsequent events for the period after June 30, 2020, through December 18, 2020, the date the financial statements were issued noting no material events.

2. Cash and Cash Equivalents

Cash and cash equivalents is invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. COSC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet 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, 2020 was 0.25%.

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, 2020.

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.

As of and for the year ended June 30, 2020

3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2020:

	<u>2020</u>	<u>2019</u>
Student accounts receivable	\$ 1,186,121	\$ 930,541
Other receivables	8,725	190,829.0
Gross accounts receivable	1,194,846	1,121,370.0
Less: allowance for doubtful accounts	(481,550)	(519,786.0)
Accounts receivable, net	<u>\$ 713,296</u>	<u>\$ 601,584</u>

4. Capital Assets

Capital Asset activity for the year ended June 30, 2020 is as follows (in thousands):

	Estimated life (in years)	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not depreciated:					
Art		\$ 15.0	\$ -	\$ -	\$ 15.0
Capital assets, depreciated:					
Buildings and improvements	10-40	2,509.0	-	-	2,509.0
Furnishings and equipment	5-10	2,840.8	-	-	2,840.8
Software	5	432.9	-	-	432.9
Total depreciable assets		<u>5,782.7</u>	<u>-</u>	<u>-</u>	<u>5,782.7</u>
Total capital assets		<u>5,797.7</u>	<u>-</u>	<u>-</u>	<u>5,797.7</u>
Less: accumulated depreciation					
Buildings and Improvements		1,371.1	58.7	-	1,429.8
Furnishings and equipment		1,896.8	388.7	-	2,285.5
Software		180.3	87.5	-	267.8
Total accumulated depreciation		<u>3,448.2</u>	<u>534.9</u>	<u>-</u>	<u>3,983.1</u>
Capital assets, net		<u>\$ 2,349.5</u>	<u>\$ (534.9)</u>	<u>\$ -</u>	<u>\$ 1,814.6</u>

5. Accrued Compensated Absences

Accrued compensated absences at June 30, 2020 consist of:

	<u>Current</u>	<u>Non Current</u>	<u>Total</u>
Vacation	\$ 674,506	\$ 650,749	\$ 1,325,255
Sick	98,680	217,516	316,196
	<u>\$ 773,186</u>	<u>\$ 868,265</u>	<u>\$ 1,641,451</u>

These accruals represent estimated amounts earned by all eligible employees through June 30, 2020. 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.

6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to another purpose within the State of Connecticut. There were no transfers made during fiscal year 2020.

Accrued salaries and related fringe benefit costs for CSCU employees within COSC, whose salaries will be charged to the State of Connecticut General Fund represent a related party balance. The accompanying statement of net position includes balances among related parties. Significant balances for the year ended June 30, 2020 relate to Cash and Cash equivalents held by the State Treasurer.

7. Commitments, Contingencies and Leases

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

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

COSC may have outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30, 2020. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances as of June 30, 2020 were not material.

As of and for the year ended June 30, 2020

COSC leases various equipment under operating lease agreements. The following summarizes future minimum payments under non-cancelable leases subsequent to the year ended June 30, 2020 (in thousands):

Fiscal Years Ending <u>June 30, 2020</u>	Operating <u>Leases</u>
2021	94.2
2022	33.5
2023	13.2
2024	13.2
2025	13.2
	<u>167.3</u>

Rent expense for operating leases was \$95,560 for the year ended June 30, 2020.

8. Pension Plans

Plan Description

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

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

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

Employees hired after July 1, 2017 are eligible to participate in Tier IV as a result of the 2017 SEBAC agreement. The SERS Tier IV plan is comprised of both a traditional Defined Benefit component and a new Defined Contribution component. The Tier IV Defined Benefit component provides a pre-defined monthly retirement income for life, with the amount being affected by years

of service, retirement age, and the member's final average earnings for members that satisfy the Tier IV minimum age and service eligibility requirements. The Tier IV Defined Contribution component establishes an account consisting of an accumulation of employee and employer contributions both set equal to 1%, as well as investment gains or losses. Each Tier IV member will have an account with the third party administrator of the State of Connecticut Alternate Retirement Program (ARP). COSC makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut.

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

Funding Policy

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

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

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 59.99% for SERS in the fiscal year ended June 30, 2020 resulting in a contribution of \$1.7 million on behalf of COSC, equal to the required contribution that year.

Net Pension Liability

COSC's net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2020 was measured and valued as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date. COSC's proportion of the net pension liability was based on a projection of COSC's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the SERS plan, COSC's proportion was 0.1% as of June 30, 2020.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to COSC is calculated separately. The net pension liability for COSC as of June 30, 2019 for SERS was \$24.0 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 2019 measurement year was determined using the following actuarial assumptions, applied to all periods:

<i>Inflation</i>	2.50%
<i>Salary increases including inflation</i>	3.50% - 19.50%
<i>Investment rate of return, net of expense, including inflation</i>	6.90%

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

The actuarial assumptions used in the June 30, 2019 valuation (which was the basis for recording the June 30, 2020 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2019.

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 2019 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.6%
Developed Market Intl. Stock Fund	11.0%	6.0%
Emerging Market Intl. Stock Fund	9.0%	7.9%
Core Fixed Income Fund	16.0%	2.1%
Inflation Linked Bond Fund	5.0%	1.1%
Emerging Market Debt Fund	5.0%	2.7%
High Yield Bond Fund	6.0%	4.0%
Real Estate Fund	10.0%	4.5%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	2.9%
Liquidity Fund	1.0%	0.4%
	100.0%	

Discount Rate for SERS:

The discount rate used to measure the total pension liability was 6.9% in the 2019 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.

As of and for the year ended June 30, 2020

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:

<i>1% Decrease</i> <i>(5.9%)</i>	<i>Current Discount</i> <i>(6.9%)</i>	<i>1% Increase</i> <i>(7.9%)</i>
\$28,677,465	\$24,012,625	\$20,121,401

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

For the year ended June 30, 2020, COSC recognized pension expense of \$2.9 million. A schedule of deferred outflows and inflows of resources as of June 30, 2020 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to COSC that will be recognized in pension expense during the next five years is as follows (in thousands):

	<u>SERS</u>	<u>TRS</u>	<u>Total</u>
2021	\$ 2,871	\$ 12	\$ 2,883
2022	\$ 2,272	\$ 11	\$ 2,283
2023	\$ 1,175	\$ 8	\$ 1,183
2024	\$ 557	\$ 6	\$ 563
2025	\$ 279	\$ 4	\$ 283

9. Other Post-Employment Benefits

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

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

There is a single State sponsored defined benefit OPEB plan open to CSCU employees, the State Employee OPEB Plan (SEOPEBP). The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of

the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions.

Plan Description

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

Funding Policy

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

Investments

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.6%
Developed Market International Stock Fund	11%	6.0%
Emerging Markets International Stock Fund	9%	7.9%
Core Fixed Income	16%	2.1%
Inflation Linked Bond Fund	5%	1.1%
Emerging Market Debt Fund	5%	2.7%
High Yield Bond Fund	6%	4.0%
Real Estate Fund	10%	4.5%
Private Equity	10%	7.3%
Alternative Investments	7%	2.9%
Liquidity Fund	1%	0.4%
	100%	

Net OPEB Liability

COSC's net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2020 was measured and valued as of June 30, 2019 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, 2020 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, 2019 for SEOPEBP was \$32.6 million.

Actuarial Assumptions:

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

Payroll growth rate	3.50%
Salary increases	3.25% to 19.50% varying by years of service/plan
Discount rate	3.58% and 3.95% for the 6/30/19 and 6/30/18 valuations
Healthcare cost trend rates:	
Medical	6.0% graded to 4.5% over 4 years
Prescription drug	3.0%
Dental and Part B	4.5%
Administrative expense	3.0%

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

The discount rate used to measure the total OPEB liability for SEOPEBP was 3.58%. The projection of cash flows used to determine the discount was performed in accordance with GASB pronouncements. On December 20, 2019, there was a change in law, which repealed the excise "Cadillac" tax. The OPEB valuation has not taken this into account; this may have an impact on future OPEB obligations.

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

Discount rate sensitivity:

1% Decrease (2.58%)	Current Discount (3.58%)	1% Increase (4.58%)
\$38,018,987	\$32,666,738	\$28,321,919

As of and for the year ended June 30, 2020

Healthcare cost trend sensitivity:

1% Decrease	Current Discount	1% Increase
\$28,003,488	\$32,666,738	\$38,552,625

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

For the year ended June 30, 2020, COSC recognized OPEB expense of \$1.2 million. A schedule of deferred outflows and inflows of resources as of June 30, 2020 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to COSC that will be recognized in pension expense during the next five years is as follows:

2021	\$ (373,771)
2022	\$ (373,768)
2023	\$ (690,639)
2024	\$ (1,067,827)
2025	\$ (259,886)

10. Unearned Revenue

Unearned revenues for the year ended June 30, 2020 amounted to \$670,351

11. Natural Classification with Functional Classification

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

	Salary	Fringe	Supplies & Services	Scholarship Aid, Net	Depreciation	Total
Depreciation	\$-	\$-	\$-	\$-	\$535	\$535
Physical Plant	-	-	282	-	-	282
Institutional Support	2,434	3,154	1,870	-	-	7,458
Scholarship Aid, Net	-	-	-	402	-	402
Student Services	1,716	2,272	326	-	-	4,314
Academic Support	1,104	2,010	42	-	-	3,156
Instruction	3,214	1,868	32	-	-	5,114
Total operating expenses	\$8,468	\$9,304	\$2,552	\$402	\$535	\$21,261

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, 2020 (in thousands):

	SERS	TRS	Total Pension	OPEB	Total Deferred
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	\$ 1,635	\$ -	\$ 1,635	\$ -	\$ 1,635
Changes of assumptions or other inputs	1,576	-	1,576	4,364	5,940
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,086	45	4,131	1,446	5,577
Employer contributions after measurement date	1,728	24	1,752	1,331	3,083
Total	\$ 9,025	\$ 69	\$ 9,094	\$ 7,141	\$ 16,235
DEFERRED INFLOWS OF RESOURCES					
Changes of assumptions or other inputs	\$ -	\$ -	\$ -	\$ 1,082	\$ 1,082
Net difference between projected and actual earnings on pension plan investments & experience	57	-	57	831	888
Changes in proportion and differences between employer contributions and proportionate share of contributions	82	-	82	1,130	1,212
Total	\$ 139	\$ -	\$ 139	\$ 3,043	\$ 3,182

REQUIRED SUPPLEMENTARY INFORMATION

Charter Oak State College

Schedule of Net Pension Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2020 through 2014



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

	2020	2019	2018	2017	2016	2015	2014
COSC's proportion of the net pension liability	0.11%	0.10%	0.10%	0.07%	0.06%	0.06%	0.05%
COSC's proportionate share of the net pension liability	\$ 24,013	\$ 21,201	\$ 20,753	\$ 15,610	\$ 10,043	\$ 9,130	\$ 7,870
COSC's covered-employee payroll	\$ 3,880	\$ 3,351	\$ 3,793	\$ 2,529	\$ 2,199	\$ 1,988	\$ 1,592
COSC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	619%	633%	563%	617%	457%	459%	494%
Plan Fiduciary net position as a percentage of the total pension liability	36.79%	36.25%	36.25%	31.69%	39.23%	39.54%	Unavailable ¹

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

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

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,661	\$ 1,411	\$ 1,519	\$ 1,021	\$ 834	\$ 727	\$ 503
Contributions in relation to the contractually required contribution	(1,661)	(1,411)	(1,519)	(1,021)	(834)	(723)	(502)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 1
COSC's covered-employee payroll	\$ 3,880	\$ 3,351	\$ 3,793	\$ 2,529	\$ 2,199	\$ 1,988	\$ 1,592
Contributions as a percentage of covered employee payroll	42.81%	42.10%	40.05%	40.36%	37.91%	36.38%	31.54%

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

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

Changes in benefit terms:

- Beginning July 1, 2019, annual interest credited on mandatory contributions set at 4.0%.
- For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of the benefit commencement, the difference is paid to the Member's beneficiary.

Changes of assumptions:

- Reduce the inflation assumption from 2.75% to 2.50%.
- Reduce the real rate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.00% to 6.90%.
- Increase the annual rate of wage increase assumption from 0.50% to 0.75%.
- Phase in to a level dollar amortization method for the June 30, 2024 valuation.

Charter Oak State College

Schedule of OPEB Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2020 through 2017 valuation periods



Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years ¹

	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 is compiled, the System is presenting only information for years for which information is

Schedule of Contributions Other Post Employment Benefits

Last 10 Fiscal Years ¹

	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	21%	21%	16.53%	15.97%

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

1. Changes in Assumptions for State Employee OPEB Plan

For the June 30, 2019 valuation, the following assumptions were updated:

- The discount rate was updated in accordance with GASB Statement No. 75 to 3.58% as of June 30, 2019 and 3.95% as of June 30, 2018.
- Mortality rates for retirement plans were updated to be consistent with the corresponding retirement system assumptions.
- Salary scales were updated to reflect changes made to participants in the plan.
- Per capita health costs, administrative expenses and retiree contributions were updated for recent experience.
- Health care cost trend rates and retiree contribution increase rates were adjusted.