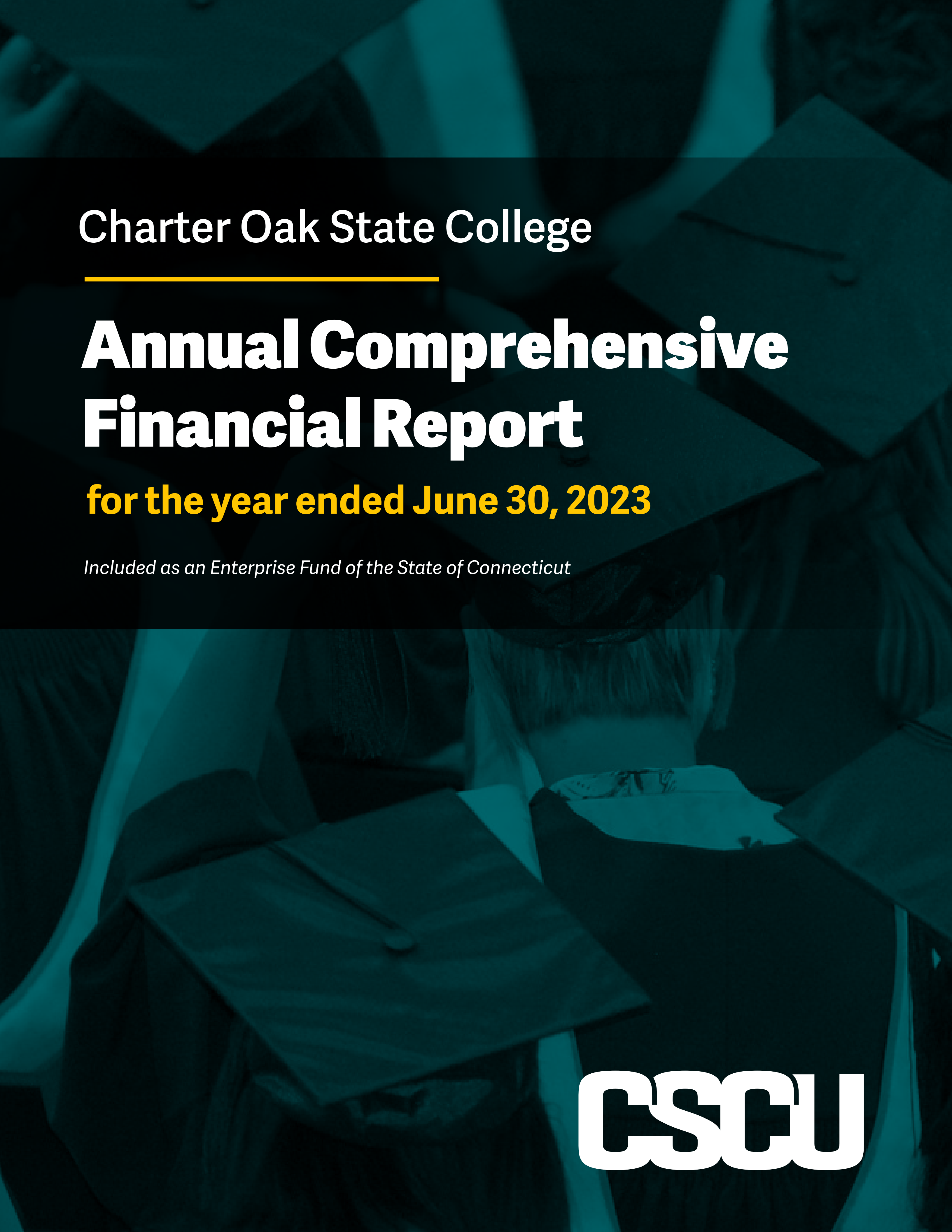


Charter Oak State College

Annual Comprehensive Financial Report

for the year ended June 30, 2023

Included as an Enterprise Fund of the State of Connecticut

CSCU

Charter Oak
STATE COLLEGE

A Higher Degree of Online Learning

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

Members of the Board of Regents for Higher Education (Between 7/1/2022 and 6/30/2023)

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

REGENTS AS OF 6/30/23

(One legislative vacancy)

JoAnn Ryan, Chair [g]

Richard J. Balducci *

Ira Bloom [g]

Alexander Grant [s] (term expired 5-19-2023)

Felice Gray-Kemp [g] (term expired 6-30-2023)

Holly Howery [g] (term expired 6-30-2023)

Juanita James [g]

Sophia Jappinen *

Jim McCarthy, Vice Chair [g]

Richard Porth [g]

Luis Sanchez [s] (term expired 5-25-2023)

Ari Santiago [g]

Erin Stewart *

Elease E. Wright [g]

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

EX-OFFICIO, NON-VOTING MEMBERS

Colena Sesanker – Chair of the Faculty Advisory Committee

David Blitz – Vice Chair of the Faculty Advisory Committee

Dante Bartolomeo – Commissioner of the CT Department of Labor

Charlene Russell-Tucker –Commissioner of the State Department of Education

Alexandra Daum – Commissioner of Department of Economic and Community Development

Dr. Manisha Juthani – Commissioner CT Dept. of Public Health

Kelli-Marie Vallieres – CT Chief Workforce Officer

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

Ed Klonoski, President

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

Terrence Chang, Chancellor

CSCU

Table of Contents

Introduction

Management Discussion & Analysis provides an overview of the financial position and activities of the Charter Oak State College ("COSC" or "Combining Unit") and its component unit for the fiscal year ended June 30, 2023, along with certain comparative information for the prior fiscal year ended June 30, 2022. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Community Colleges (known as CT State Community College effective July 1, 2023) and COSC, effective July 1, 2011. The Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees" for the Universities and Colleges.

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

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

Using The Financial Statements

COSC's financial report includes the following financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35 established standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of COSC as a whole. As required by GASB Statements No. 34 and 35, a condensed comparative analysis of fiscal year 2023 to prior reporting periods is included. Full financial statements and footnotes for fiscal year 2023 are also presented, both for the COSC primary institution, as well as for certain other organizations that have a significant related party relationship with COSC (the "component unit").

The 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

COSC had total assets of $20.5 million, deferred outflows of $13.2 million, liabilities of $47.2 million, deferred inflows of $17.1 million and a total net position balance of ($30.5) million as of June 30, 2023. Of this amount, ($38.8) million is classified as unrestricted net position which increased as compared to 2022. The negative balance in unrestricted net position is a result of the pension and other post-employment benefit liabilities, as discussed further within this report.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $7.6 million, down 9% as compared to the previous year. Operating expenses were $17.2 million, a 19% decrease from the previous year, resulting in an operating loss of $9.5 million during the year ended June 30, 2023. Net non-operating revenues and other changes were $19.8 million, up 67% compared with prior year. State of Connecticut general fund appropriations were also up 16% within fiscal 2023 at $10.0 million.

Cash and cash equivalents were $11.7 million at June 30, 2023, including $0.7 million of cash equivalents restricted for use in the form of specific programmatic expenditures or other governing agreements. Total current assets were $12.9 million as of June 30, 2023 compared to $12.4 million in the prior year. Liabilities decreased from $59.6 million to $47.2 million attributable to a combined decrease in current and non-current liabilities. The majority of the liability is composed of the net pension and other post-employment benefit liabilities. These large liabilities represent long-term obligations that are paid by the State of Connecticut and not COSC individually. The remaining long-term liability represents the long-term portion of the accrued value of vacation and sick time benefits earned by employees which must be paid out when they retire or otherwise terminate service in the future, net of the estimated amounts to be paid out in the upcoming year.

Statements of Net Position

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

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

	2023	2022	% Change
ASSETS			
Current assets	$ 12,942	$ 12,403	4%
Non-current assets	7,567	1,287	488%
Total assets	20,509	13,690	50%
DEFERRED OUTFLOWS OF RESOURCES	13,248	15,221	-13%
LIABILITIES			
Current liabilities	2,908	3,192	-9%
Noncurrent liabilities	44,255	56,404	-22%
Total liabilities	47,163	59,596	-21%
DEFERRED INFLOWS OF RESOURCES	17,149	10,095	70%
NET POSITION			
Invested in capital assets	7,567	1,287	488%
Restricted-expendable	742	743	0%
Unrestricted	(38,864)	(42,810)	-9%
Total net position	(30,555)	(40,780)	25%

Current assets consist of cash, cash equivalents, accounts receivable and prepaid assets. The 4% increase in current assets from the previous year is largely attributable to an increase in cash and accounts receivable driven by increased state appropriation revenue. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short-Term Investment Fund ("STIF") on behalf of State agencies. COSC does not carry any other separate investments.

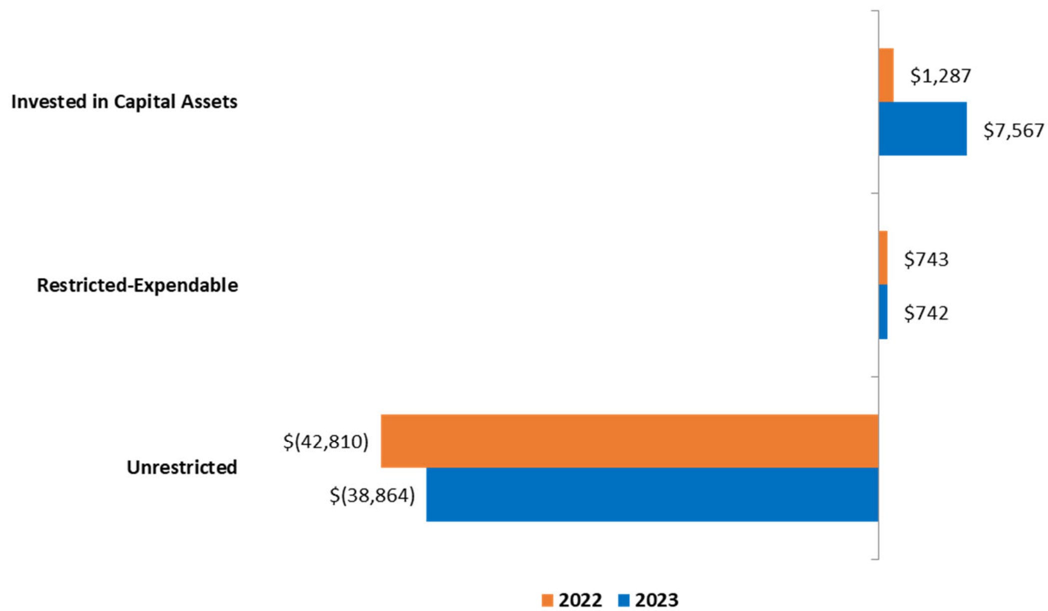
Non-current assets increased by a significant percentage from $1.3 million at June 30, 2022, to $7.6 million at June 30, 2023. This increase was due to the construction of the College's new headquarters which was recorded as part of construction in progress as of year end. Net capital assets account for the total amount of non-current assets. Accumulated depreciation was consistent between June 30, 2023 and 2022 as capital assets in service were relatively unchanged.

Current liabilities consist primarily of accrued payroll and related benefits, unearned revenue, and accounts payable. Total current liabilities were $2.9 million at the end of fiscal year 2023, representing a $0.3 million decrease from fiscal year 2022. The most significant current liability was unearned revenue which increased year over year due to changes in the timing of the summer semester. Additional current liabilities include accounts payable, accrued payroll, accrued compensated absences (sick and vacation time benefits) and subscription liabilities that will be paid within the coming year.

Non-current liabilities consist of $19.5 million in pension liability, $23.8 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 decreased by 22% in 2023 due to decreases in retirement benefit allocations from the State of Connecticut. These long-term liabilities however exceed the assets of COSC, and causes the unrestricted net position balance to be negative. In practice, however, the ACA liability represents the total payout should 100% of the employees resign immediately while the pension and other post-employment benefit liabilities reflect the allocation of a share of the State of Connecticut's unfunded pension and OPEB liabilities that are not ultimately paid by the College. In lieu of COSC paying directly for pension and post retirement benefits, The State of Connecticut settles these balances through the Comptroller's office and charges COSC an annual fee based on a percentage of salary which is included as personnel service costs within the income statement.

The total *net position* balance improved in the current year as a result of including the construction in progress balance which was fully funded by the State of Connecticut and resulted in a $7.6 million net asset balance associated with capital assets. COSC 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. Unrestricted net position also improved in the current year as a result of both the net pension and net OPEB liabilities decreasing.

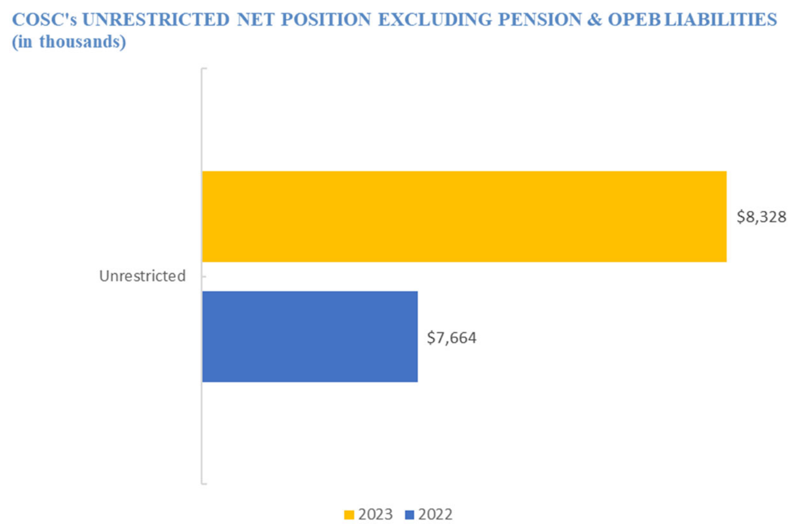
COSC NET POSITION (in thousands)



Restricted-Expendable net position represents primarily bond fund appropriation balances at June 30, 2023 and unexpended funds held for certain minor grant program activities. There were no significant changes in restricted-expendable net position year over year.

Unrestricted net position ("UNP") is a negative balance with the recognition of the pension liability and other post-employment benefit liability. Excluding the pension and other post-employment benefit liabilities, UNP increased by $0.6 million to $8.3 million during fiscal year 2023. The increase was due to increased appropriations from the State of Connecticut. The table below illustrates the fluctuations in aggregate COSC UNP (in millions) over the past several years:

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



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 2023 were $7.6 million, down 9% from $8.4 million in fiscal year 2022. *Student tuition and fees* of $11.2 million represent the largest portion of operating revenue on a gross basis and were stable as compared to fiscal year 2022 but are additionally offset by student financial aid and waivers. This resulted in net tuition and fee revenue of $6.7 million in fiscal year 2023 as compared to $7.6 million in fiscal year 2022 as government funding in the current year provided more scholarships and fellowships that are not considered operating revenue.

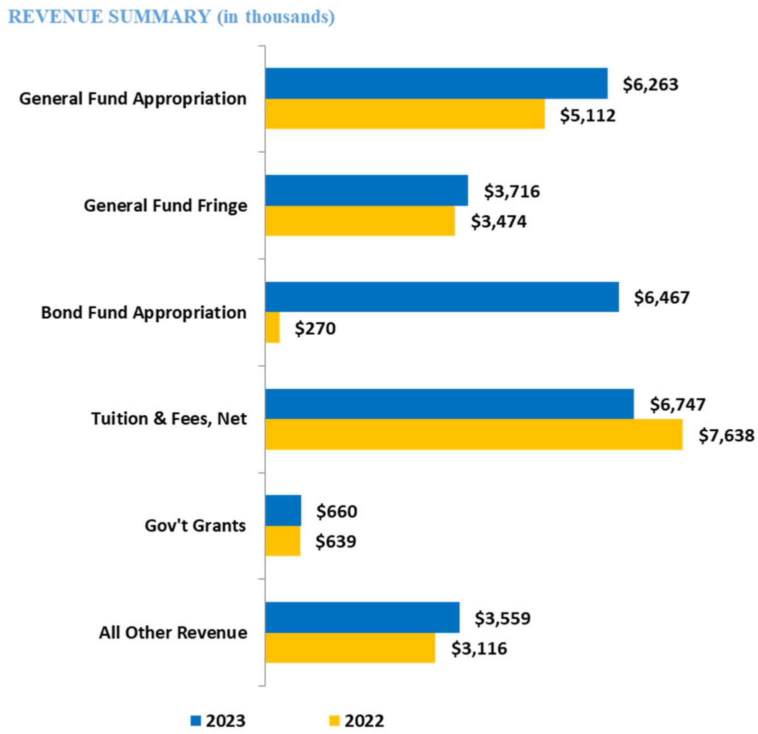
Condensed Combined Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30 (in thousands)

	2023	2022	% Change
OPERATING REVENUES			
Tuition and fees, net	6,747	7,638	-12%
Government grants and contracts	660	639	3%
Additional operating revenues	241	114	111%
Total operating revenues	7,648	8,391	-9%
OPERATING EXPENSES			
Expenses before depreciation	16,886	21,035	-20%
Depreciation	300	292	3%
Total operating expenses	17,186	21,327	-19%
Operating loss	(9,538)	(12,936)	26%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund *	9,978	8,586	16%
State appropriations - capital appropriations	6,467	270	100%
Pell Grants	2,716	2,266	20%
Other non-operating revenues (expenses), net	602	736	-18%
Net non-operating revenues	19,763	11,858	67%
NET POSTION			
Change in net position	10,225	(1,078)	1049%
Net position, beginning of year	(40,780)	(39,702)	-3%
Net position, end of year	$ (30,555)	$ (40,780)	25%

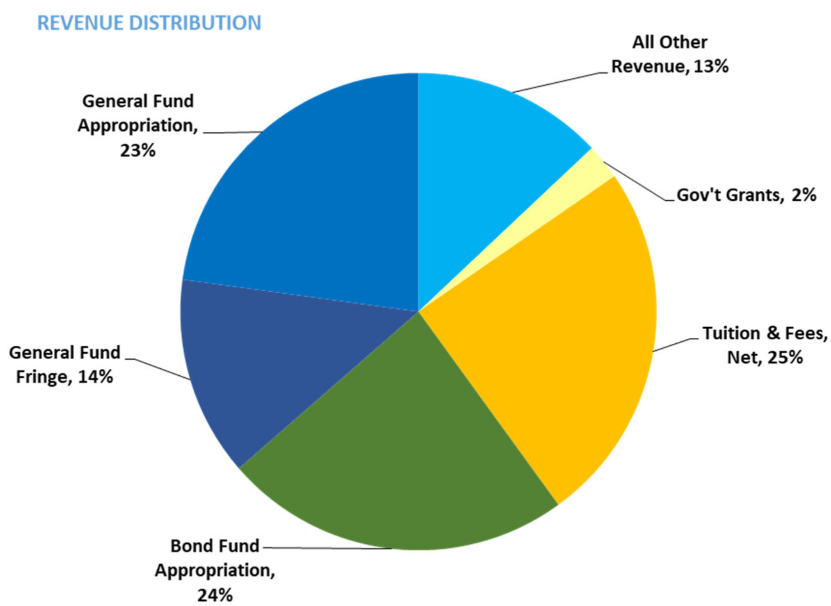
* Including non-cash fringe benefit expenditures

COSC recorded an operating loss of $9.5 million during the year ended June 30, 2023. The primary contributing factor of operating losses is that State appropriations and Pell Grant revenue are classified as *non-operating revenues* under GASB 35 although the expenditures of these resources on personnel, non-capital equipment, depreciation and scholarships are an operating expense. In the current fiscal year, greater amounts of student aid were considered non-operating when compared with the prior fiscal year.

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 which remained consistent between years. *Additional operating revenues* were up $0.1 million from 2022 due to strategic initiatives related to non-governmental grants and miscellaneous operating income.

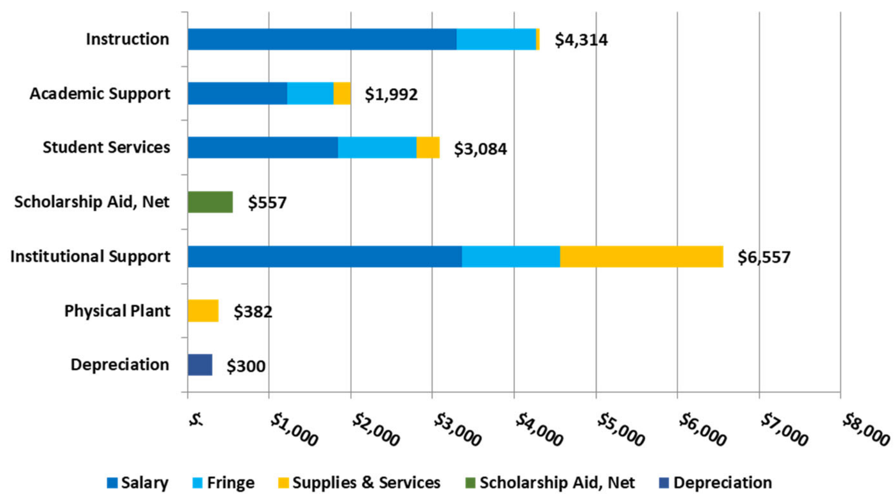


The State general fund appropriation for salaries and associated State of Connecticut reimbursements to cover fringe benefit increased by 14% in 2023. COSC received bond fund appropriations of $6.5 million as compared to $0.3 in 2022 for the construction of the College's new headquarters. Other revenue activity in fiscal year 2023 consisted of Pell grant revenue and income earned on cash balances invested by the State treasurer's office.



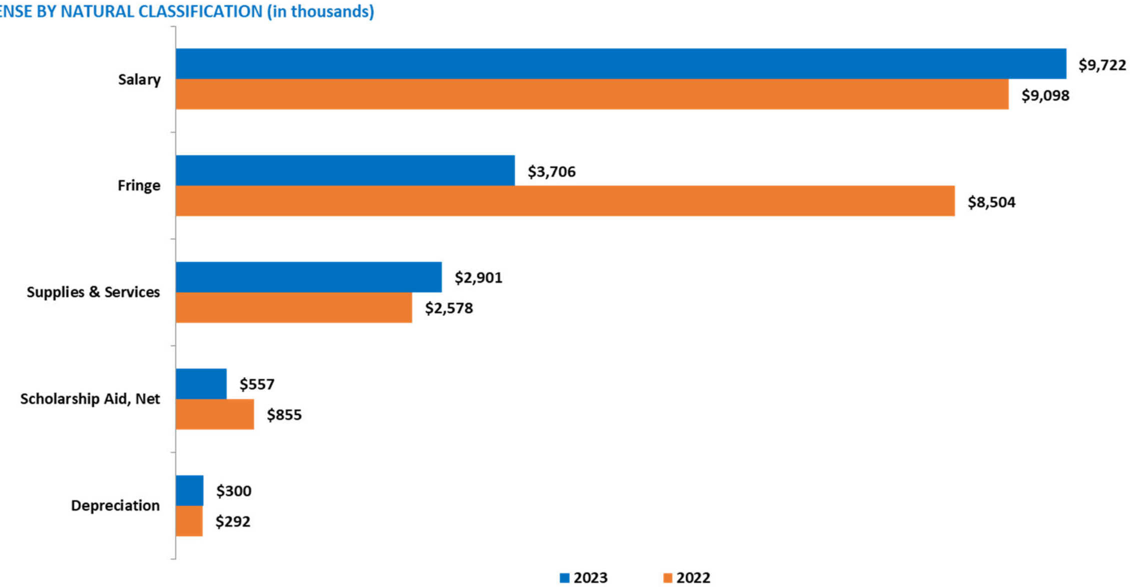
Total operating expenses for fiscal year 2023 were $17 million. This reflects an operating expense decrease of 19% from $21.3 million in fiscal year 2022. The decrease in fiscal year 2023 reflects an overall decrease in pension and other post-retirement benefits recorded as fringe expenditures.

2023 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)



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 $7.5 million and receipts from grants and contracts of $0.8 million, which is down $0.2 million compared to prior 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 $14.0 million, up 18% from prior year driven by the fact that fiscal year 2023 had an additional payroll check date. Operating cash outflows also include vendor payments of $2.8 million, consistent with prior year. Payments to students of $0.6 million for financial aid refunds and federal grants was down year over year due to the sunset of direct to student pandemic related aid. Net cash used in operating activities increased 28% in fiscal year 2023 when compared to fiscal year 2022, reflecting greater personnel costs due to compensation and benefits issued in line with COSC's local employee bargaining unit in addition to the additional payroll cycle. The State of Connecticut also directly covered a portion of the cost of fringe benefits for employees valued at $3.6 million, representing a non-cash transaction for COSC.

Non capital financing cash flows are derived from State appropriations and federal aid for students. Non capital financing cash flows increased 13% in fiscal year 2023 due to increase state appropriations in addition to increased Pell grant revenue.

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

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

	2023	2022	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	$ (8,958)	$ (7,022)	28%
Noncapital financing activities	9,154	8,085	13%
Capital and related financing activities	(10)	270	100%
Investing activities	432	30	1340%
Net change in cash and cash equivalents	618	1,363	-55%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	11,128	9,765	14%
Cash and cash equivalents, end of year	$ 11,746	$ 11,128	6%

Enrollment Table

COSC 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 over the past ten year period:

Year Ended June 30	Unduplicated Headcount	% Change	FTE	% Change
2023	2,367	3.5%	1,008	6.1%
2022	2,286	-1.1%	950	-3.26%
2021	2,312	-1.6%	982	0.5%
2020	2,350	0.6%	977	7.1%
2019	2,337	3.0%	912	3.9%
2018	2,270	-4.8%	878	-5.2%
2017	2,384	-4.9%	926	-2.5%
2016	2,507	-14.0%	950	-11.2%
2015	2,915	17.1%	1070	18.1%
2014	2,489	-4.0%	906	-1.2%
2013	2,592	-1.7%	917	4.0%
2012	2,637	-	882	-

Economic Outlook

For the 2022-2023 academic year, the College experienced enrollment growth with increases in both Pell and institutional aid awarded directly to students, reducing operating income. The College continues to remain focused on balancing future affordable tuition rate structures with the financial needs of the College. There has been a notable shift in the higher education environment towards distance learning and COSC expects to benefit from such market interest in the upcoming year. Enrollment however will scale only with the number of programs offered and as a result the College is looking to exponentially increase the number of programs offered ahead of its previous schedule.

As expected, students outside of Charter Oak's traditional in-state geographic location have noted the College's out of state tuition rate presents financial barriers for enrollment. The College will be moving forward with removing any out of state tuition differentials with students being charged a uniform rate. It is expected that the decrease in revenue associated with the current out of state cohort will be offset with additional enrollment.

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).

GRANT THORNTON LLP
75 State Street, 13th Floor
Boston, MA 02109

D +1 617 723 7900

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Regents of
Connecticut State Colleges and Universities

Report on the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the 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, 2023, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2023, 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.

We did not audit the financial statements of the discretely presented component unit (the affiliated foundation (the “Foundation”)), which statements reflect total assets of $2.6 million, and total net assets of $2.6 million as of June 30, 2023, and total revenues and support of $0.7 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 Foundation, is based solely on the reports of other auditors.

Basis for opinions

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

GrantThornton

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, 2023, 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.

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 Post-Employment Benefits and Related Ratios, and Schedule of Contributions on pages 36 through 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. 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

Boston, Massachusetts
January 12, 2024

	2023
Assets	
Current assets:	
Cash and cash equivalents	$ 11,745,609
Accounts receivable, net	620,965
Other current assets	575,029
Total current assets	12,941,603
Noncurrent assets:	
Capital assets, net of depreciation and amortization	7,567,055
Total noncurrent assets	7,567,055
Total assets	20,508,658
Deferred outflows of resources:	
Deferred pension	8,038,556
Deferred other post-employment benefits	5,209,179
Total deferred outflows of resources	13,247,735
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	318,148
Accrued payroll	588,792
Unearned tuition revenues	1,234,781
Subscription liabilities	52,790
Accrued employee compensated absences	713,517
Total current liabilities	2,908,028
Noncurrent liabilities	
Subscription liabilities	54,801
Accrued employee compensated absences	909,195
Net pension liability	19,496,839
Net other post-employment benefit liability	23,793,931
Total noncurrent liabilities	44,254,766
Total liabilities	47,162,794
Deferred inflows of resources:	
Deferred pension	5,681,655
Deferred other post-employment benefits	11,467,434
Total deferred inflows of resources	17,149,089
Net Assets	
Invested in capital assets	7,567,055
Restricted expendable	742,025
Unrestricted	(38,864,570)
Total net position (deficit)	$ (30,555,490)

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

		2023
Operating revenues:		
Student tuition and fees	$	11,204,913
Less: scholarships and fellowships		(4,458,144)
Net tuition and fees		6,746,769
Federal grants and contracts		359,281
State and local grants and contracts		301,184
Nongovernmental grants and contracts		145,600
Other operating revenue		94,998
Total operating revenues		7,647,832
Operating expenses:		
Personnel services and fees		13,429,349
Professional services and fees		308,396
Travel expenses		136,387
Operation and maintenance of plant		381,793
Student aid		556,772
Other operating expenses		2,074,468
Depreciation and amortization		299,616
Total operating expenses		17,186,781
Net operating income (loss)		(9,538,949)
Nonoperating revenues (expenses):		
State appropriations		9,978,357
Investment income		431,665
Interest expense		(4,805)
Other nonoperating revenues		5,834
Federal emergency grant revenue		170,706
Pell grants		2,715,991
Net nonoperating revenues		13,297,748
Increase (decrease) in net position before capital appropriations		3,758,799
Capital appropriations		6,465,706
Increase (decrease) in net position		10,224,505
Net position:		
Net assets - beginning of year		(40,779,995)
Net assets - end of year	$	(30,555,490)

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

	2023
Cash flows from operating activities	
Tuition and fees	$ 7,520,064
Grants and contracts	806,065
Payments to employees	(14,010,898)
Payments to suppliers and vendors	(2,811,787)
Payments to students	(556,772)
Other operating receipts	94,998
Net cash used in operating activities	(8,958,330)
Cash flows from non-capital financing activities	
State appropriations	6,262,835
Pell grants	2,715,991
Federal emergency grant revenue	170,706
Other	5,126
Net cash provided by non-capital financing activities	9,154,658
Cash flows from capital financing activities	
Capital appropriations	6,465,706
Cash paid for right of use assets	(195,276)
Purchases of capital assets	(6,280,897)
Net cash provided by capital financing activities	(10,467)
Cash flows from investing activities	
Interest on cash held by the State	431,665
Net increase (decrease) in cash and equivalents	617,526
Cash and equivalents, beginning of year	11,128,083
Cash and equivalents, end of year	11,745,609
Reconciliation of net operating loss to net cash used in operating activities	
Net operating loss	(9,538,949)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation and amortization	299,616
Fringe benefits provided by the state	3,715,522
Changes in assets and liabilities:	
Accounts receivable	(121,418)
Other current assets	200,118
Accounts payable	162,100
Accrued payroll	(816,976)
Accrued employee compensation and benefits	(197,541)
Unearned tuition revenues	621,755
Net pension obligation	(2,177,055)
Net other post-employment benefit obligation	(1,105,502)
Net cash used for operating activities	$ (8,958,330)
Non-cash transaction	
Fringe benefits provided by the state	$ 3,715,522

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

Statement of Financial Position

Assets	
Cash and cash equivalents	$ 39,820
Investments	2,577,541
Other assets	24,853
Total assets	2,642,214
Liabilities	
Accounts payable	-
Total liabilities	-
Net assets	
Without donor restrictions	599,312
With donor restrictions	2,042,902
Total liabilities and net assets	$ 2,642,214

Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	$ 26,906	$ 306,812	$ 333,718
Contributed wages	55,048	-	55,048
Investment return, net	60,470	201,953	262,423
Special events	45,620	-	45,620
Net assets released from restrictions:	335,133	(335,133)	-
Total revenues and support	523,177	173,632	696,809
Expenses			
Program	352,873	-	352,873
Management and general	52,435	-	52,435
Fundraising	76,041	-	76,041
Total expenses	481,349	-	481,349
Reclassification of Net Assets	511,100	(511,100)	-
Change in net assets	552,928	(337,468)	215,460
Net position			
Net assets - beginning of year	46,384	2,380,370	2,426,754
Net assets - end of year	$ 599,312	$ 2,042,902	$ 2,642,214

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

1. Summary of Significant Accounting Policies

Organization

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

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

Basis of Presentation

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

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 presents information on all COSC's assets, liabilities, deferred outflows and inflows, and net position.
- The statement of revenues, expenses and changes in net position presents information showing how the COSC's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (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 Activities of the component unit presents net assets with and without donor restrictions consistent with the presentation required under ASU 2016-14 and the reporting framework applicable to the component unit.

Classification of Assets and Liabilities
COSC presents short-term and long-term assets and liabilities in the statement of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30. Cash 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 Capital Assets
Capital assets are stated at historical cost. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life, which range from 5 to 40 years. Land, capitalized collections, and construction in progress are not depreciated. Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

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

Accrued Compensated Absences ("ACA")
Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statement of net position 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 scholarships, waivers and allowances in accordance with GASB Statement No. 35. Student aid for scholarships recorded in the statement of revenues, expenses and changes in net position includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees is reflected as a scholarship allowance.

Operating Activities
Operating activities as reported on the statement of revenue, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of COSC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, Pell grants, federal emergency grant, and investment income.

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

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

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

GASB Pronouncements Effective in the Current Fiscal Year

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. 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 commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement also addresses arrangements often characterized as leases that are associated with conduit debt obligations. This standard was adopted in fiscal year 2023 and had no material impact as a result of the adoption.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. This standard was adopted in fiscal year 2023 and had no material impact as a result of the adoption.

In May 2020, GASB released statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement requires a government to establish an intangible subscription based asset and corresponding liability. This standard was adopted in fiscal year 2023 as described in the corresponding notes to financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus*. The objectives of this Statements are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This standard was adopted in fiscal year 2023 and had no material impact as a result of the adoption.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This standard was adopted in fiscal year 2023 and had no material impact as a result of the adoption.

GASB Pronouncements Effective in the Future Years

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

Other Significant Transactions

In June 2023, the Connecticut General Assembly passed a State budget for the 2024 and 2025 biennium. The new budget changes the way fringe benefits are paid for by the institutions of higher education in the State. Under this model, COSC's employee retirement benefit costs will be paid for directly by the State's Comptroller's Office for all pay checks dated subsequent to June 30, 2023. All non-retirement benefit and fringe costs will be paid for by COSC directly. This change in methodology impacts accrued payroll liabilities and accrued employee compensated abscences calculated as of June 30, 2023.

Subsequent Events

In accordance with generally accepted accounting principles, COSC has evaluated subsequent events for the period after June 30, 2023, through January 12, 2024, the date the financial statements were issued, noting no material events.

2. Cash and Cash Equivalents

Cash and cash equivalents are invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. COSC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet the participants daily cash flow requirements. The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2023 was 5.15%. 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, 2023.

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.

CSCU

3. Accounts Receivable

Accounts receivable consist of the following at June 30:

	2023
Student accounts receivable	$ 780,744
Other receivables	174,387
Gross accounts receivable	955,131
Less: allowance for doubtful accounts	(334,166)
Accounts receivable, net	$ 620,965

4. Capital Assets

Capital Asset activity for the year ended June 30, 2023 is as follows:

	Estimated life (in years)	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not depreciated:					
Art		$ 15,000	$ -	$ -	$ 15,000
Capital assets, depreciable:					
Buildings and improvements	10-40	2,508,961	-	-	2,508,961
Furnishings and equipment	5	2,048,867	-	(181,190)	1,867,677
Software	5	432,976	-	-	432,976
Subscription assets	Life of contract	-	298,770	-	298,770
Total depreciable assets		4,990,804	298,770	(181,190)	5,108,384
Total capital assets		5,005,804	298,770	(181,190)	5,123,384
Less: accumulated depreciation and amortization:					
Buildings and Improvements		1,551,612	58,002	-	1,609,614
Furnishings and equipment		1,770,662	135,925	(181,190)	1,725,397
Software		396,526	36,449	-	432,975
Subscription assets		-	69,240	-	69,240
Total accumulated depreciation and amortization		3,718,800	299,616	(181,190)	3,837,226
Construction in progress		-	6,280,897	-	6,280,897
Capital assets, net		1,287,004	6,280,051	-	7,567,055

5. Accrued Compensated Absences

Accrued compensated absences at June 30, 2023 consist of:

	Current	Non Current	Total
Vacation	$ 612,756	$ 720,156	$ 1,332,912
Sick	100,761	189,039	289,800
	$ 713,517	$ 909,195	$ 1,622,712

Activity for accrued compensated absences for the year ended June 30, includes:

Balance as of June 30, 2022	$ 1,820,253
Additions during the fiscal year	531,394
Benefits paid to employees during the fiscal year	(728,935)
Balance as of June 30, 2023	1,622,712

These accruals represent estimated amounts earned by all eligible employees through June 30, 2023. The ACA will be settled over several years and are not expected to have a significant impact on the future annual cash flows of COSC. The current portion of compensated absences is estimated based on recent past history and employee retirement eligibility.

6. Related Parties

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 2023.

Accrued salaries and related fringe benefit costs for CSCU employees within COSC include balances related to the retirement portion of fringe benefits that will be paid for State of Connecticut Comptroller's Office and represent a related party balance.

The accompanying statement of net position includes balances among related parties. Cash and Cash equivalents are additionally held by the State Treasurer on behalf of the College.

Included in personnel services and fees are amounts paid by COSC to CSCU that represent allocations for system office leadership personnel and shared services for human resources and payroll.

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, 2023. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances as of June 30, 2023 were not material.

8. Unearned Revenue

Unearned revenues for the year ended June 30, 2023 amounted to $1,234,781 and represent tuition and fees that have been collected as of June 30 but are applicable to classes held thereafter.

9. Pension Plans

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

Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, or the Teachers Retirement System ("TRS") depending on several factors.

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

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

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

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

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

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 67% for SERS in the fiscal year ended June 30, 2023 resulting in a contribution of $2.5 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, 2023 was measured and valued as of June 30, 2022 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, 2023.

All SERS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to COSC is calculated separately. The net pension liability for COSC as of June 30, 2023 for SERS was $19.5 million. COSC has no net pension liability associated with the TRS due to COSC's proportional size to the overall plan.

CSCU

Actuarial Assumptions for SERS:
The total pension liability for the 2022 measurement year was determined using the following actuarial assumptions, applied to all periods:

Inflation	*2.5%*
Salary increases including inflation	*3% - 11.5%*
Investment rate of return, net of expense, including inflation	*6.9%*

Assumed rates of mortality have been revised to the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale. The actuarial assumptions used in the June 30, 2022 valuation (which was the basis for recording the June 30, 2023 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class as of the 2022 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.4%
Developed Market Intl. Stock Fund	11.0%	6.4%
Emerging Market Intl. Stock Fund	9.0%	8.6%
Core Fixed Income Fund	13.0%	0.8%
Emerging Market Debt Fund	5.0%	3.8%
High Yield Bond Fund	3.0%	3.4%
Real Estate Fund	19.0%	5.2%
Private Equity	10.0%	9.4%
Private Credit	5.0%	6.5%
Alternative Investments	3.0%	3.1%
Liquidity Fund	2.0%	-0.4%
	100.0%	

Discount Rate for SERS:
The discount rate used to measure the total pension liability was 6.9% in the 2022 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease (5.9%)	*Current Discount (6.9%)*	*1% Increase (7.9%)*
$23,796,067	*$19,500,797*	*$15,920,916*

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

For the year ended June 30, 2022, COSC recognized pension expense of $(2,273,368). A schedule of deferred outflows and inflows of resources as of June 30, 2023 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to COSC that will be recognized in pension expense during the next five years is as follows:

Fiscal Year Ending June 30,	SERS	TRS	Total
2024	$ 387,177	$ 21,412	$ 408,589
2025	139,064	19,851	158,915
2026	(272,909)	16,819	(256,090)
2027	(362,863)	12,885	(349,978)
2028	(160,173)	8,951	(151,222)
Thereafter	-	2,624	2,624
Total	$ (269,704)	$ 82,542	$ (187,162)

10. Other Post-Employment Benefits

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

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

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

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

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

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

Investments
The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the State's Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. The best estimates of rates of return for each major asset class as of the 2022 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20%	5.4%
Developed Market International Stock Fund	11%	6.4%
Emerging Markets International Stock Fund	9%	8.6%
Core Fixed Income	13%	0.8%
Emerging Market Debt Fund	5%	3.8%
High Yield Bond Fund	3%	3.4%
Real Estate Fund	19%	5.2%
Private Equity	10%	9.4%
Private Credit	5%	6.5%
Alternative Investments	3%	3.1%
Liquidity Fund	2%	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, 2023 was measured and valued as of June 30, 2022 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, 2022 COSC's proportion was 0.15%. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately. The net OPEB liability for COSC as of June 30, 2023 for SEOPEBP was $23,793,932.

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

Inflation	2.5%
Payroll growth rate	3%
Salary increases	3% to 11.5% varying by years of service/plan
Discount rate	3.90%
Healthcare cost trend rates:	
Medical	6% graded to 4.5% over 6 years
Prescription drug	3%
Dental and Part B	4.5%
Administrative expense	3%

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

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

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

Discount rate sensitivity:

1% Decrease (2.90%)	Current Discount (3.90%)	1% Increase (4.90%)
$27,819,629	$23,793,932	$20,537,735

Healthcare cost trend rate sensitivity:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$20,085,638	$23,793,932	$28,501,304

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

For the year ended June 30, 2023, COSC recognized OPEB expense of $(1,158,472). A schedule of deferred outflows and inflows of resources as of June 30, 2023 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:

Fiscal Years Ending June 30,		OPEB
2024	$	(1,241,561)
2025		(2,033,688)
2026		(2,649,959)
2027		(1,499,441)
2028		(221,976)
Thereafter		-
Total	$	(7,646,625)

11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

	Salary	Fringe	Supplies & Services	Scholarship Aid, Net	Depreciation	Total
Depreciation	$ -	$ -	$ -	$ -	$ 299,616	$ 299,616
Physical Plant	-	-	381,793	-	-	381,793
Institutional Support	3,356,910	1,206,860	1,993,372	-	-	6,557,142
Scholarship Aid, Net	-	-	-	556,772	-	556,772
Student Services	1,843,389	966,491	274,772	-	-	3,084,652
Academic Support	1,225,690	560,069	205,746	-	-	1,991,505
Instruction	3,296,460	973,481	45,364	-	-	4,315,305
Total operating expenses	$ 9,722,449	$ 3,706,901	$ 2,901,047	$ 556,772	$ 299,616	$ 17,186,785

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, 2023 (in thousands):

	SERS	TRS	OPEB	Leases	Total
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$ 2,078	$ -	$ 366	$ -	$ 2,444
Changes of assumptions or other inputs	-	-	2,680	-	2,680
Net difference between projected and actual earnings on pension plan investments	873	-	222	-	1,095
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,461	83	554	-	$ 3,098
Employer contributions after measurement date	2,482	62	1,388	-	3,932
Total	**$ 7,894**	**$ 145**	**$ 5,210**	**$ -**	**$ 13,249**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$ -	$ -	$ 732	$ -	$ 732
Changes of assumptions or other inputs	27	-	10,251	-	10,278
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,655	-	484	-	6,139
Total	**$ 5,682**	**$ -**	**$ 11,467**	**$ -**	**$ 17,149**

14. Subscription-Based Information Technology Arrangements

The College entered into various SBITAs that convey the College control of the right to use vendor-provided software, alone or in combination with an underlying tangible IT capital asset. Of these SBITAs, some agreements call for payments that are partially or completely variable and therefore were not included in ROU subscription assets or subscription liabilities. These variable payments are derived from a number of licenses that changes from time to time, use of the IT asset, or changes in index rates. The College recognized a total of $74,045 as expenses from these variable payments for the year ended June 30, 2023.

Long-term liability activity for the year ended June 30, 2023, is summarized as follows:

Balance 7/1/22	Additions	Deletions	Balance 6/30/23	Amounts due within one year
$ -	$296,970	$(189,379)	$107,591	$52,790

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

Fiscal Year	Principal	Interest	Total
2024	$52,790	$5,540	$58,330
2025	11,562	2,713	14,275
2026	12,914	2,141	15,055
2027	14,375	1,501	15,876
2028	15,950	792	16,742
Thereafter	-	-	-
Total Requirements	107,591		
Less Current	$(52,790)		
Non-Current	$54,801		

REQUIRED SUPPLEMENTARY INFORMATION

Charter Oak State College

Schedule of Net Pension Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2023 through 2014

Schedule of Net Pension Liability and Related Ratios
State Employee Retirement System Plan
Last 10 Fiscal Years [1]
(in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
COSC's proportion of the net pension liability	0.09%	0.12%	0.11%	0.11%	0.10%	0.10%	0.07%	0.06%	0.06%	0.05%
COSC's proportionate share of the net pension liability	$ 19,497	$ 25,776	$ 25,358	$ 24,013	$ 21,201	$ 20,753	$ 15,610	$ 10,043	$ 9,130	$ 7,870
COSC's covered payroll	$ 3,349	$ 4,664	$ 3,926	$ 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 payroll	582%	553%	646%	619%	633%	563%	617%	457%	459%	494%
Plan Fiduciary net position as a percentage of the total pension liability	44.55%	44.55%	35.84%	36.79%	36.25%	36.25%	31.69%	39.23%	39.54%	Unavailable1

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

State Employee Retirement System Plan
Last 10 Fiscal Years [1]
(in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 2,519	$ 2,166	$ 1,728	$ 1,661	$ 1,441	$ 1,519	$ 1,021	$ 834	$ 727	$ 503
Contributions in relation to the contractually required contribution	(2,519)	(2,166)	(1,728)	(1,661)	(1,441)	(1,519)	(1,021)	(834)	(723)	(502)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4	$ 1
COSC's covered payroll	$ 3,349	$ 4,664	$ 3,926	$ 3,880	$ 3,351	$ 3,793	$ 2,529	$ 2,199	$ 1,988	$ 1,592
Contributions as a percentage of covered payroll	75.24%	46.45%	44.01%	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**

   For the June 30, 2022 valuation, there were no changes of benefit terms or assumptions.

Charter Oak State College

Schedule of OPEB Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2023 through 2017 valuation periods

Schedule of Net Other Post Employment Benefits Liability and Related Ratios
Last 10 Fiscal Years [1]

	2023	2022	2021	2020	2019	2018	2017
COSC's proportion of the net OPEB liability	0.15%	0.15%	0.15%	0.16%	0.15%	0.12%	0.13%
COSC's proportionate share of the net OPEB liability	$ 23,793,932	$ 29,824,661	$ 36,142,123	$ 32,666,738	$ 25,570,473	$ 25,846,053	$ 27,927,904
COSC's covered-employee payroll	$ 5,770,603	$ 5,573,514	$ 5,750,894	$ 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	412%	535%	628%	571%	446%	427%	453%
Plan Fiduciary net position as a percentage of the total OPEB liability	12.63%	10.12%	6.13%	5.40%	4.69%	3.03%	1.94%

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

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

	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 1,301,799	$ 1,325,821	$ 1,331,438	$ 1,189,231	$ 1,187,694	$ 1,000,421	$ 985,748
Contributions in relation to the contractually required contribution	(1,301,799)	(1,325,821)	(1,331,438)	(1,189,231)	(1,187,694)	(1,000,421)	(985,748)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 5,770,603	$ 5,573,514	$ 5,750,894	$ 5,716,228	$ 5,739,353	$ 6,053,317	$ 6,171,250
Contributions as a percentage of covered employee payroll	23%	24%	23%	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.

CSCU

1. Changes in Assumptions for State Employee OPEB Plan

For the June 30, 2022 valuation, there were no changes of benefit terms, and the following assumptions were updated:

- The discount rate was updated in accordance with GASB Statement No. 75 to 4.90% as of June 30, 2022.