

2021

# Financial Statements

**INCLUDING**

Required Supplementary Information  
Additional Supplemental Information

**June 30, 2021**



**Charter Oak  
State College**

# CharterOak

## 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 7/1/20 – 6/30/21)**

- 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 6/30/21**

*(Four vacancies: two legislative appointees and two Student Regent vacancies.)*

*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  
Ari Santiago  
Elease E. Wright*

### **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  
Charlene Russell-Tucker– Acting Commissioner of the State Department of Education  
David Lehman – Commissioner of Department of Economic and Community Development  
Dr. Deidre Gifford - Acting Commissioner CT Dept. of Public Health*

### **Former Board members (who served between 7/1/20 – 6/30/21)**

*Monica Maldonado, SAC, Chair  
Elena Ruiz, Vice Chair of Student Advisory Committee  
Dr. Miguel A. Cardona – (Former) Commissioner of the State Department of Education*

#### **Charter Oak State College**

55 Paul Manafort Drive  
New Britain, CT 06053

Ed Klonoski, President

#### **Connecticut State Colleges & Universities**

61 Woodland Street  
Hartford, CT 06105

Terrence Chang, 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, 2021, along with certain comparative information for the prior 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 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 2021 to prior reporting periods is included. Full financial statements and footnotes for fiscal year 2021 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 \$12.4 million, deferred outflows of \$16.1 million, liabilities of \$65.2 million, deferred inflows of \$3.0 million and a total net position balance of (\$39.7) million as of June 30, 2021. Of this amount, (\$41.5) million is classified as unrestricted net position which decreased slightly as compared to 2020. 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, 2021 and 2020

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were \$9.5 million, down 3% as compared to the previous year. Operating expenses were \$23.3 million, a 9% increase from the previous year, resulting in an operating loss of \$13.8 million during the year ended June 30, 2021. Net non-operating revenues and other changes were \$9.5 million up 6% compared with prior year. State of Connecticut general fund appropriations were also up 7% with in fiscal 2021 at 6.5 million.

Cash and cash equivalents were \$9.8 million at June 30, 2021, 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 \$10.8 million as of June 30, 2021 compared to \$9.8 million in the prior year. The current ratio of unrestricted net assets was 3.5:1 in 2021 as compared to 3.7:1 in fiscal 2020. The current ratio reflects a financial position sufficient to provide short term liquidity. Non-current liabilities increased to \$62.2 million from \$57.5 million between June 30, 2021 and 2020. 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 \$0.7 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).

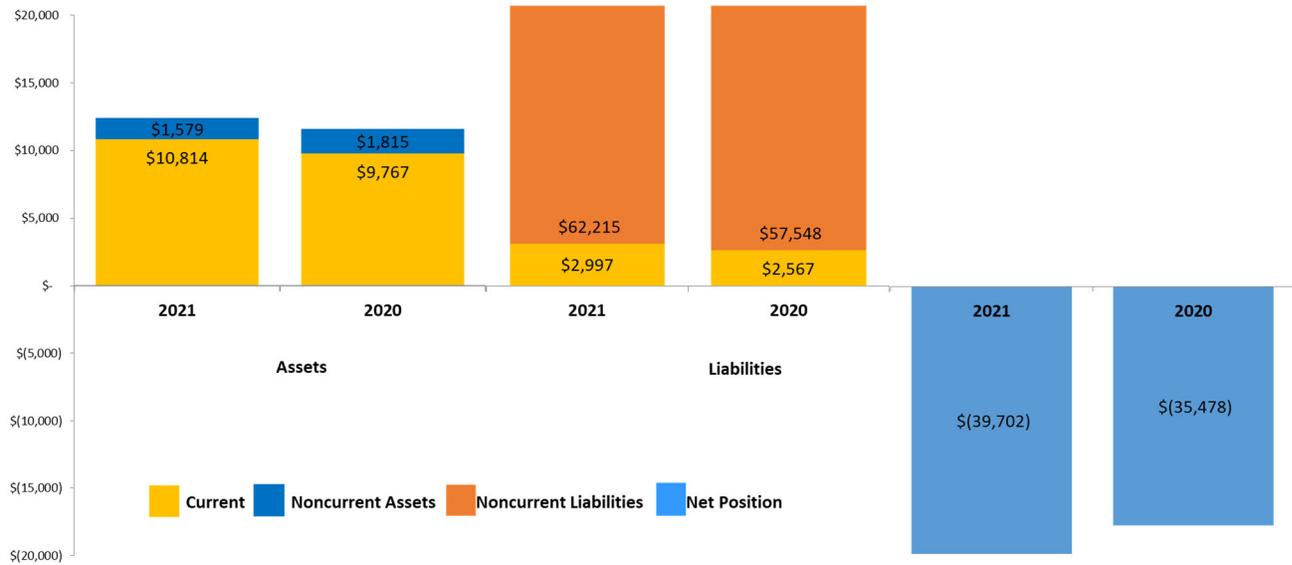
### Statements of Net Position

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)

	2021	2020	% Change
<b>ASSETS</b>			
Current assets	\$ 10,814	\$ 9,767	11%
Non-current assets	1,579	1,815	-13%
Total assets	12,393	11,582	7%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	16,082	16,236	-1%
<b>LIABILITIES</b>			
Current liabilities	2,997	2,567	17%
Noncurrent liabilities	62,215	57,548	8%
Total liabilities	65,212	60,115	8%
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	2,965	3,181	-7%
<b>NET POSITION</b>			
Invested in capital assets	1,579	1,815	-13%
Restricted-expendable	229	336	-32%
Unrestricted	(41,510)	(37,629)	10%
Total net position	(39,702)	(35,478)	-12%

*Current assets* consist of cash, cash equivalents, accounts receivable and prepaid assets. The 7% increase in current assets from the previous year is largely attributable to an increase in cash offset by the utilization of prepaid assets. Accounts receivable decreased slightly due to the timing of settlements with third parties. 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 13% from \$1.8 million at June 30, 2020, to \$1.6 million at June 30, 2021. Net capital assets account for the total amount of non-current assets. At June 30, 2021, capital assets in service totaled \$5.2 million, offset by \$3.6 million in accumulated depreciation; this compared with \$4.0 million of accumulated depreciation at the end of fiscal year 2020. The decrease in fiscal 2021 was related to a slowdown of capital expenditures as compared to the refresh of a technological data center in historical periods coupled with the retirement of \$0.6 million in equipment.

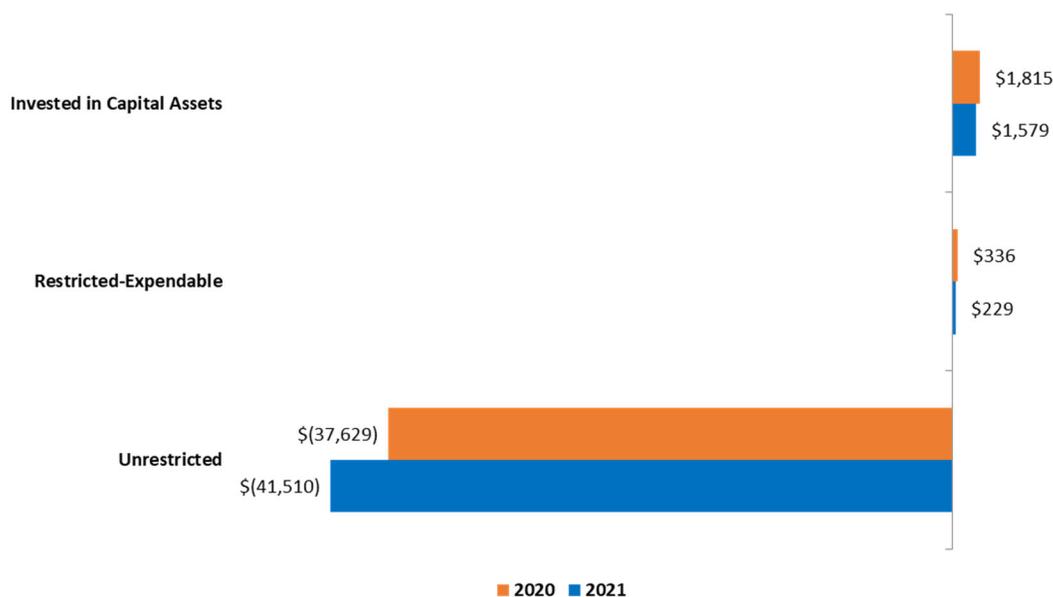
*Current liabilities* consist primarily of accrued payroll and related benefits, unearned revenue, and accounts payable. Total current liabilities were \$3.0 million at the end of fiscal year 2021, representing a \$0.4 million increase from fiscal year 2020. The most significant current liability was employee salary and fringe benefit payable of \$1.2 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 \$25.3 million in pension liability, \$36.1 million in other post-employment benefit liabilities and long-term accrued compensated absences (“ACA”) of \$0.7 million– to be paid out to terminating employees over time in the future beyond one year. Total non-current liabilities increased by \$4.8 million in 2021 due to increases in retirement benefit allocation from the State of Connecticut. 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. In lieu of Charter Oak paying directly for pension and post retirement benefits, The State of Connecticut settles these balances through the Comptroller’s office and charges Charter Oak an annual fee based on a percentage of salary which have been included as personnel service costs within the income statement.

The total *net position* balance includes \$1.6 million *Invested in capital assets, net of depreciation*. Charter Oak State College does not carry capital debt. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in COSC’s financial statements.

**COSC NET POSITION (in thousands)**

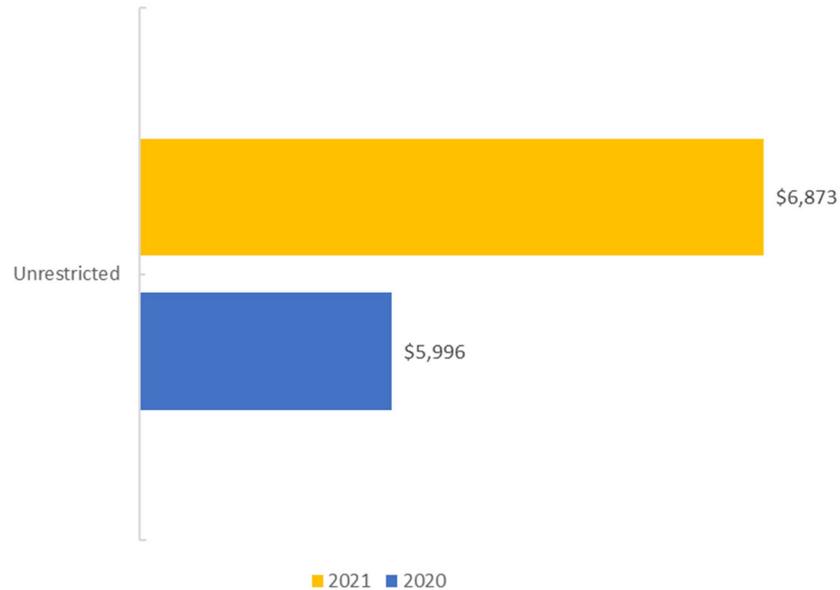


*Restricted-Expendable* net position represents primarily bond fund appropriation balances at June 30, 2021 and unexpended funds held for certain minor grant program activities. There were no significant changes in restricted-expendable net position year over year.

*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 \$0.9 million to \$6.9 million during fiscal year 2021. The increase was due to increased appropriations from the State of Connecticut and cost saving measures implemented by the College. 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>	<u>FY 21</u>
UNP Excluding Pension and OPEB Liability	\$1.5	\$1.2	\$0.7	\$0.8	\$0.9	\$3.5	\$6.0	\$6.9
UNP Adjusted for Pension Liability:	-	(\$6.1)	(\$6.7)	(\$7.4)	(\$8.9)	(\$8.7)	(\$9.0)	(\$11.0)
UNP Adjusted for Pension & OPEB Liability:	-	-	-	(\$34.3)	(\$36.0)	(\$36.0)	(\$37.6)	(\$41.5)

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 2021 were \$9.5 million, down 3% from \$9.8 million in fiscal year 2020. *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 \$8.8 million after scholarship allowances. These revenues reflect flat enrollment trends with a slight increase in institutional aid.

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

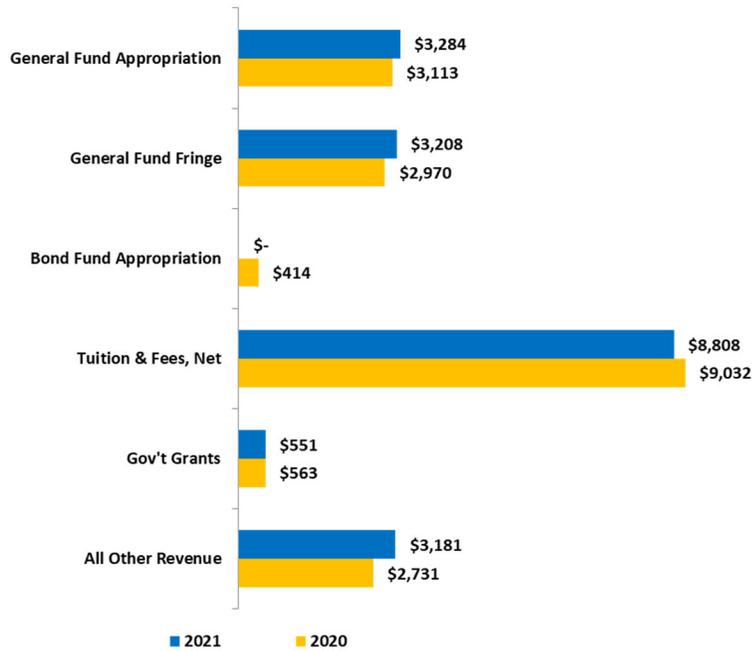
	2021	2020	% Change
<b>OPERATING REVENUES</b>			
Tuition and fees, net	8,808	9,032	-2%
Government grants and contracts	551	563	-2%
Additional operating revenues	148	245	-40%
Total operating revenues	<u>9,507</u>	<u>9,840</u>	-3%
<b>OPERATING EXPENSES</b>			
Expenses before depreciation	23,021	20,726	11%
Depreciation	236	535	-56%
Total operating expenses	<u>23,257</u>	<u>21,261</u>	9%
Operating loss	<u>(13,750)</u>	<u>(11,421)</u>	-20%
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
State appropriations - general fund *	6,493	6,083	7%
State appropriations - capital appropriations	-	414	-100%
PELL Grants	2,460	2,377	3%
Other non-operating revenues (expenses), net	573	109	426%
Net non-operating revenues	<u>9,526</u>	<u>8,983</u>	6%
<b>NET POSITION</b>			
Change in net position	(4,224)	(2,438)	-73%
Net position, beginning of year	<u>(35,478)</u>	<u>(33,040)</u>	-7%
Net position, end of year	<u>\$ (39,702)</u>	<u>\$ (35,478)</u>	-12%

\* Including non-cash fringe benefit expenditures

Charter Oak State College recorded an operating loss of \$13.8 million during the year ended June 30, 2021. 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 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.

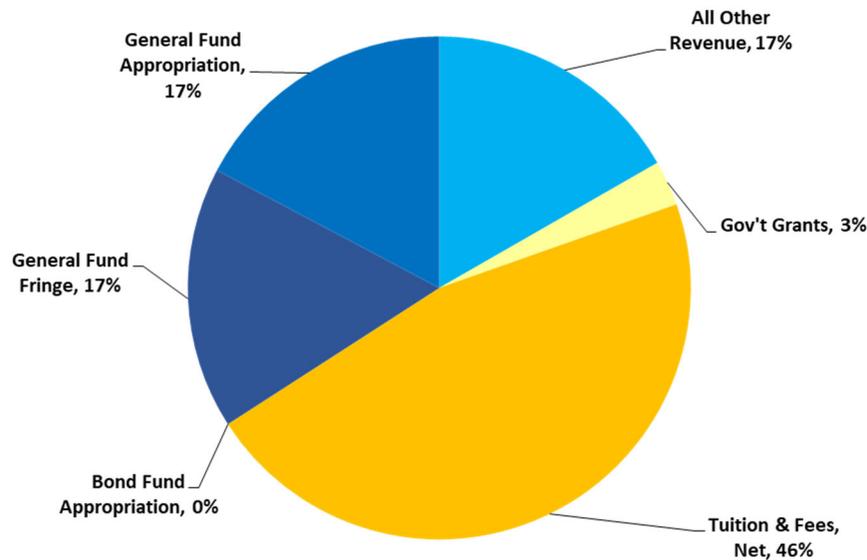
*Government grant revenues* are comprised of the federally funded Supplemental Education Opportunity Grant (“SEOG”) and the Adult Education grants together with other state government grants which fund various program-related activities. Government grant revenues at June 30, 2021 were \$0.6 million with federal and state dollars consistent with the previous fiscal year. *Additional operating revenues* were down \$0.1 million from 2020 due to the pandemic and changes in strategic targets for departments partnering with institutional entities.

**REVENUE SUMMARY (in thousands)**



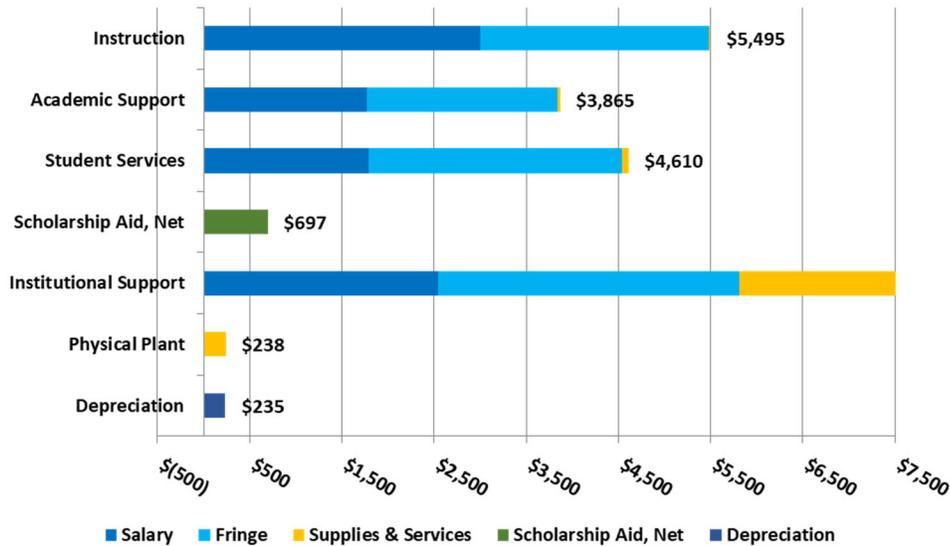
The State general fund appropriation for salaries and associated State of Connecticut reimbursements to cover fringe benefit increased by 7% in 2021. Charter Oak did not receive any bond fund appropriations as compared to the \$0.4 million in 2020 as no significant purchases for capital equipment were planned for 2021. Other non-operating activity in fiscal year 2021 was limited to income earned on cash balances invested by the State treasurer's office.

**2021 REVENUE DISTRIBUTION**



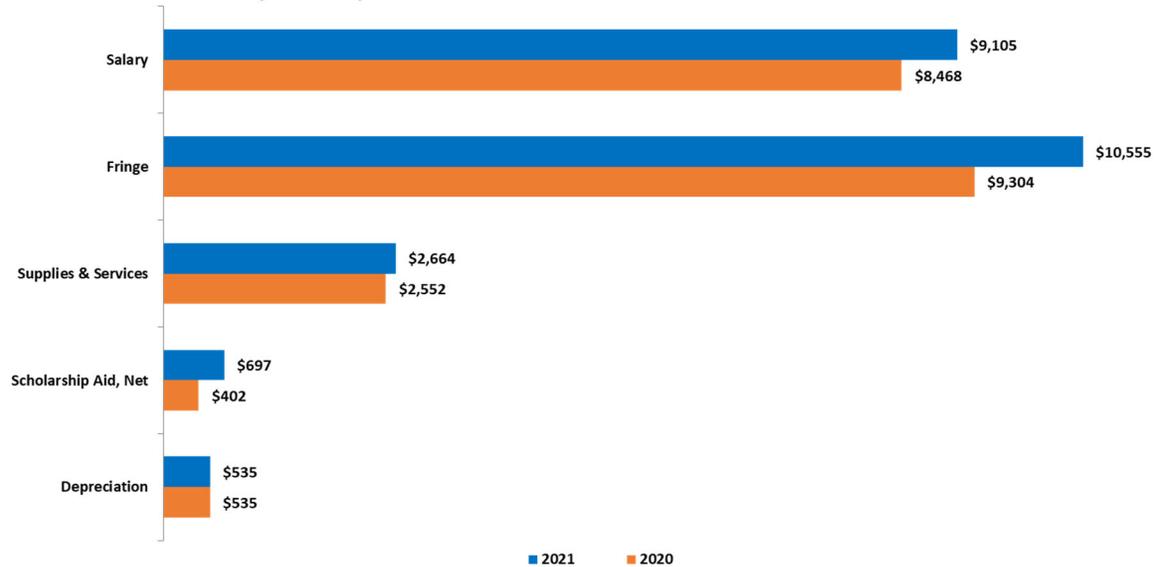
Total operating expenses for fiscal year 2021 were \$23.2 million. This reflects an operating expense increase of 9% from \$21.2 million in fiscal year 2020. The increase in fiscal year 2021 reflects an overall increase in fringe benefits.

2021 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 \$8.9 million and receipts from government grants and contracts of \$0.6 million, which is flat with the prior fiscal year. Cash is also received from other miscellaneous activities such as testing, educational services and Connecticut Credit Assessment Program (CCAP). The largest operating cash outflows include salaries paid to employees of \$11.2 million, up 10% from prior year. Operating cash outflows also include vendor payments of \$2.5 million, down 7% from prior year. Payments to students of \$0.7 million for financial aid refunds and federal grants was up year over year due to the inclusion of Charter Oak students in qualifying for pandemic related aid. Net cash used in operating activities increased 33% in fiscal year 2021 when compared to fiscal year 2020, 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 \$3.2 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 but did not receive funding in 2021. 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 which decreased year over year due to negligible return rates from the State's short term investment pool.

### Condensed Combined Statements of Cash Flows

Year Ended June 30

(in thousands)

	2021	2020	% Change
<b>NET CASH PROVIDED BY (USED IN)</b>			
Operating activities	\$ (4,897)	\$ (3,670)	33%
Noncapital financing activities	6,310	5,493	15%
Capital and related financing activities	-	413	-100%
Investing activities	<u>7</u>	<u>104</u>	-93%
Net change in cash and cash equivalents	1,420	2,340	-39%
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents, beginning of year	<u>8,345</u>	<u>6,005</u>	39%
Cash and cash equivalents, end of year	<u>\$ 9,765</u>	<u>\$ 8,345</u>	17%

## **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:

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

Impacts from the pandemic remained prevalent during fiscal year 2021 with all almost all campus operations delivered digitally including classes, enrollment processing, advisory services and several institutional support channels.

For the 2020-2021 academic year, transfer enrollment declined nationally by approximately 8% and while the College’s enrollment trend did not mirror the conglomerate transfer trend, there is a consistent focus on balancing future affordable tuition rate structures with the financial needs of the College. Out of state rates in the future will be reconsidered by the College as geographic based pricing within a digital environment may prevent the College from being competitive in distant markets. The College is also creating more flexible and innovative institutional aid packages that reflect the needs of our adult learner transfer students as these students represent the majority of each cohort. The College continues to relax 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.

Planned for 2022 and with consideration to global supply chain constraints, the College still intends to consolidate its New Britain and Newington, Connecticut campuses into a newly renovated office building in downtown New Britain. 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 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, 2021, 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 audits. We did not audit the financial statements of the discretely presented component unit (the affiliated foundation (the "Foundation")), which statements reflect total assets of \$2.8 million and total net assets of \$2.8 million as of June 30, 2021, and total revenues, capital gains and losses, and other support of \$832 thousand 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. We conducted our audits 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 the discretely presented component unit of Charter Oak State College as of June 30, 2021, 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, 2021, 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 35 through 38 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.



Boston, Massachusetts  
January 25, 2022

As of June 30, 2021

	<u>2021</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 9,765,936
Accounts receivable, net	559,743
Other current assets	488,115
Total current assets	<u>10,813,794</u>
Noncurrent assets:	
Capital assets, net	<u>1,579,044</u>
Total noncurrent assets	1,579,044
Total assets	12,392,838
Deferred outflows of resources:	
Deferred pension	7,582,610
Deferred other post-employment benefits	<u>8,499,365</u>
Total deferred outflows of resources	16,081,975
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued liabilities	73,788
Accrued payroll	1,230,545
Unearned tuition revenues	544,367
Accrued employee compensated absences	<u>1,148,213</u>
Total current liabilities	<u>2,996,913</u>
Noncurrent liabilities	
Accrued employee compensated absences	715,113
Net pension liability	25,357,568
Net other post-employment benefit liability	<u>36,142,122</u>
Total noncurrent liabilities	62,214,803
Total liabilities	<u>65,211,716</u>
Deferred inflows of resources:	
Deferred pension	59,305
Deferred other post-employment benefits	<u>2,906,139</u>
Total deferred inflows of resources	2,965,444
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,579,044
Restricted expendable	228,778
Unrestricted	<u>(41,510,169)</u>
Total net position (deficit)	<u>\$ (39,702,347)</u>

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

	<u>2021</u>
<b>Operating revenues:</b>	
Student tuition and fees	\$ 12,203,001
Less: scholarships and fellowships	(3,395,127)
Net tuition and fees	8,807,874
Federal grants and contracts	373,687
State and local grants and contracts	177,583
Other operating revenues	148,404
Total operating revenues	<u>9,507,548</u>
<b>Operating expenses:</b>	
Personnel services and fees	19,659,078
Professional services and fees	232,556
Travel expenses	8,142
Operation and maintenance of plant	238,140
Student aid	697,464
Other operating expenses	2,185,585
Depreciation	235,500
Total operating expenses	<u>23,256,465</u>
Net operating income (loss)	<u>(13,748,917)</u>
<b>Nonoperating revenues (Expenses):</b>	
State appropriations	6,492,505
Investment income	7,425
Gain (loss) on disposal of capital assets	-
Other nonoperating revenues/expenses	938
Federal emergency grant revenue	564,469
Pell grants	2,460,199
Net nonoperating revenues	<u>9,525,536</u>
Increase (decrease) in net position before capital appropriations	<u>(4,223,381)</u>
Capital appropriations	-
Increase (decrease) in net position	<u>(4,223,381)</u>
<b>Net position:</b>	
Net assets - beginning of year	(35,478,966)
Net assets - end of year	<u>\$ (39,702,347)</u>

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

	<u>2021</u>
<b>Cash flows from operating activities</b>	
Tuition and fees	8,864,853
Grants and contracts	551,270
Payments to employees	(11,273,934)
Payments to suppliers and vendors	(2,460,504)
Payments to students	(697,464)
Other operating receipts	118,991
Net cash used in operating activities	<u>(4,896,788)</u>
<b>Cash flows from non-capital financing activities</b>	
State appropriations	3,284,028
Pell grants	2,460,199
Federal emergency grant revenue	564,469
Other	938
Net cash provided by non-capital financing activities	<u>6,309,634</u>
<b>Cash flows from capital financing activities</b>	
Capital appropriations	-
Purchases of capital assets	-
Net cash provided by capital financing activities	<u>-</u>
<b>Cash flows from investing activities</b>	
Interest on cash held by the State	<u>7,425</u>
Net increase (decrease) in cash and equivalents	1,420,271
Cash and equivalents, beginning of year	8,345,665
Cash and equivalents, end of year	<u>9,765,936</u>
<b>Reconciliation of net operating loss to net cash used in operating activities</b>	
Net operating loss	(13,748,917)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	235,500
Fringe benefits provided by the state	3,208,477
Changes in assets and liabilities:	
Accounts receivable	153,551
Other current assets	220,109
Accounts payable	(16,190)
Accrued payroll	197,359
Accrued employee compensation and benefits	221,875
Unearned tuition revenues	(125,984)
Net pension obligation	2,777,610
Net other post-employment benefit obligation	1,979,822
<b>Net cash used for operating activities</b>	<u>\$ (4,896,788)</u>
<b>Non-cash transaction</b>	
Fringe benefits provided by the state	<u>\$ 3,208,477</u>

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

**Statement of Financial Position**

<b>Assets</b>	
Cash and cash equivalents	\$ 90,477
Investments	2,713,650
Other assets	<u>625</u>
<b>Total assets</b>	<u>2,804,752</u>
<b>Liabilities</b>	
Accounts payable	<u>695</u>
<b>Total liabilities</b>	<u>695</u>
<b>Net assets</b>	
Without donor restrictions	47,315
With donor restrictions	<u>2,756,742</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,804,752</u>

**Statement of Activities**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and support</b>			
Contributions	\$ 32,600	\$ 205,828	\$ 238,428
Interest income	8	-	8
Investment return, net	-	591,233	591,233
Fundraiser proceeds, net	-	2,273	2,273
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>137,503</u>	<u>(137,503)</u>	<u>-</u>
<b>Total revenues and support</b>	<u>170,111</u>	<u>661,831</u>	<u>831,942</u>
<b>Expenses</b>			
Program services - scholarships and grants	129,856	-	129,856
Supporting services - administrative and fundraising	<u>14,537</u>	<u>-</u>	<u>14,537</u>
<b>Total expenses</b>	<u>144,393</u>	<u>-</u>	<u>144,393</u>
<b>Change in net assets</b>	<u>25,718</u>	<u>661,831</u>	<u>687,549</u>
<b>Net position</b>			
Net assets - beginning of year	21,597	2,094,911	2,116,508
Net assets - end of year	<u>\$ 47,315</u>	<u>\$ 2,756,742</u>	<u>\$ 2,804,057</u>

## 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 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 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 Net 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 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 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.

**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. 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 August 2018, GASB released statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify 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, 2020.

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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

As of and for the year ended June 30, 2021

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In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance to 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. This statement provides guidance over reporting of intra-entity transfers of assets between a primary government employer and the measurement of liabilities (and assets, if any) related to asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic.

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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2020 GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans*. The objective of this Statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that a governing board would perform. In the absences of a governing board of the potential component unit, the situation should be treated the same as the primary government appointing a majority of the potential component unit's governing board. The requirement of this Statement is effective for reporting periods beginning after June 15, 2021.

In October 2021, GASB released statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

Management has not completed its review of the requirements of these statements and their applicability.

### **Subsequent Events**

In accordance with generally accepted accounting principles, COSC has evaluated subsequent events for the period after June 30, 2021, through January 25, 2022, 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, 2021 was 0.10%. 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, 2021.

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

**3. Accounts Receivable**

Accounts receivable consist of the following at June 30:

	<b>2021</b>
Student accounts receivable	\$ 851,841
Other receivables	31,215
Gross accounts receivable	<u>883,056</u>
Less: allowance for doubtful accounts	<u>(323,313)</u>
Accounts receivable, net	<u>\$ 559,742</u>

**4. Capital Assets**

Capital Asset activity for the year ended June 30, 2021 is as follows (in thousands):

	Estimated life <u>(in years)</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Capital assets, not depreciated:					
Art		\$ 15	\$ -	\$ -	\$ 15
Capital assets, depreciated:					
Buildings and improvements	10-40	2,509	-	-	2,509
Furnishings and equipment	5	2,841	33	(644)	2,230
Software	5	433	-	-	433
Total depreciable assets		<u>5,783</u>	<u>33</u>	<u>(644)</u>	<u>5,172</u>
Total capital assets		<u>5,798</u>	<u>33</u>	<u>(644)</u>	<u>5,187</u>
Less: accumulated depreciation					
Buildings and Improvements		1,430	64	-	1,494
Furnishings and equipment		2,286	163	(644)	1,805
Software		268	41	-	309
Total accumulated depreciation		<u>3,984</u>	<u>268</u>	<u>(644)</u>	<u>3,608</u>
Capital assets, net		<u>1,814</u>	<u>(235)</u>	<u>-</u>	<u>1,579</u>

**5. Accrued Compensated Absences**

Accrued compensated absences at June 30, 2021 consist of:

	<u>Current</u>	<u>Non Current</u>	<u>Total</u>
Vacation	\$ 1,040,019	\$ 559,094	\$ 1,599,113
Sick	108,194	156,019	264,213
	<u>\$ 1,148,213</u>	<u>\$ 715,113</u>	<u>\$ 1,863,326</u>

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

Balance as of June 30, 2020	\$	1,641,451
Additions during the fiscal year		404,415
Benefits paid to employees during the fiscal year		(182,540)
Balance as of June 30, 2021		1,863,326

These accruals represent estimated amounts earned by all eligible employees through June 30, 2021. 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 2021.

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, 2021 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, 2021. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances as of June 30, 2021 were not material.

COSC leases various equipment under operating lease agreements. The following summarizes future minimum payments under non-cancelable leases subsequent to the year ended June 30, 2021 (in thousands):

Fiscal Years	
Ending <u>June 30,</u>	Operating <u>Leases</u>
2022	\$ 93
2023	13
2024	13
2025	13
2026	13
	<u>145</u>

Rent expense for operating leases was \$95,560 for the year ended June 30, 2021.

**8. Unearned Revenue**

Unearned revenues for the year ended June 30, 2021 amounted to \$544,367

**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

As of and for the year ended June 30, 2021

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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 65.64% for SERS in the fiscal year ended June 30, 2021 resulting in a contribution of \$2.2 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, 2021 was measured and valued as of June 30, 2020 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, 2021.

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, 2021 for SERS was \$25.4 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 2020 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, 2020 valuation (which was the basis for recording the June 30, 2021 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 2020 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 2020 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:

<i>1% Decrease (5.9%)</i>	<i>Current Discount (6.9%)</i>	<i>1% Increase (7.9%)</i>
\$30,131,392	\$25,361,526	\$21,375,183

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

For the year ended June 30, 2021, COSC recognized pension expense of \$2.8 million. A schedule of deferred outflows and inflows of resources as of June 30, 2021 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:

<b>Fiscal Year Ending June 30,</b>	<b>SERS</b>		<b>TRS</b>		<b>Total</b>
2022	\$	2,517,059	\$	14,380	\$ 2,531,439
2023	\$	1,410,725	\$	12,112	1,422,837
2024	\$	792,505	\$	10,069	802,574
2025	\$	511,501	\$	8,508	520,009
2026	\$	49,980	\$	5,476	55,456
Thereafter	\$	-	\$	1,542	1,542

**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 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. The best estimates of rates of return for each major asset class as of 2020 measurement date are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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, 2021 was measured and valued as of June 30, 2020 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, 2021 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, 2021 for SEOPEBP was \$36.1 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 4.50% varying by years of service/plan
Discount rate	2.38%
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-2014 Mortality Tables for pre-retirement, healthy annuitant and disabled annuitants projected to 2020 under Scale BB.

The discount rate used to measure the total OPEB liability for SEOPEBP was 2.38%. 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 (1.38%)	Current Discount (2.38%)	1% Increase (3.38%)
\$42,513,622	\$36,142,123	\$31,020,194

Healthcare cost trend rate sensitivity:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$30,298,903	\$36,142,123	\$43,656,406

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

For the year ended June 30, 2021, COSC recognized OPEB expense of \$2.0 million. A schedule of deferred outflows and inflows of resources as of June 30, 2021 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
2022	\$ 818,868
2023	1,133,109
2024	1,505,213
2025	713,080
2026	96,799
Thereafter	-
Total	\$ 4,267,069

**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	\$-	\$-	\$-	\$-	\$235	\$235
Physical Plant	-	-	238	-	-	238
Institutional Support	2,542	3,266	2,308	-	-	8,116
Scholarship Aid, Net	-	-	-	697	-	697
Student Services	1,792	2,741	77	-	-	4,610
Academic Support	1,769	2,069	27	-	-	3,865
Instruction	3,002	2,479	14	-	-	5,495
Total operating expenses	\$9,105	\$10,555	\$2,664	\$697	\$235	\$23,256

**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, 2021 (in thousands):

	SERS	TRS	Total Pension	OPEB	Total Deferred
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Difference between expected and actual experience	\$ 1,369	\$ -	\$ 1,369	\$ -	\$ 1,369
Changes of assumptions or other inputs	677	-	677	5,999	6,676
Net difference between projected and actual earnings on pension plan investments	427	-	427	71	498
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,869	52	2,921	1,103	4,024
Employer contributions after measurement date	2,166	23	2,189	1,326	3,515
<b>Total</b>	<b>\$ 7,508</b>	<b>\$ 75</b>	<b>\$ 7,583</b>	<b>\$ 8,499</b>	<b>\$ 16,082</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ 834	\$ 834
Changes of assumptions or other inputs	-	-	-	702	702
Changes in proportion and differences between employer contributions and proportionate share of contributions	59	-	59	1,370	1,429
<b>Total</b>	<b>\$ 59</b>	<b>\$ -</b>	<b>\$ 59</b>	<b>\$ 2,906</b>	<b>\$ 2,965</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

# Charter Oak State College

Schedule of Net Pension Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2021 through 2014



## Schedule of Net Pension Liability and Related Ratios

### State Employee Retirement System Plan

Last 10 Fiscal Years <sup>1</sup>

(in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
COSC's proportion of the net pension liability	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	\$ 25,358	\$ 24,013	\$ 21,201	\$ 20,753	\$ 15,610	\$ 10,043	\$ 9,130	\$ 7,870
COSC's covered payroll	\$ 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	646%	619%	633%	563%	617%	457%	459%	494%
Plan Fiduciary net position as a percentage of the total pension liability	35.84%	36.79%	36.25%	36.25%	31.69%	39.23%	39.54%	Unavailable <sup>1</sup>

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

## Schedule of Contributions

### State Employee Retirement System Plan

Last 10 Fiscal Years <sup>1</sup>

(in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,728	\$ 1,661	\$ 1,441	\$ 1,519	\$ 1,021	\$ 834	\$ 727	\$ 503
Contributions in relation to the contractually required contribution	(1,728)	(1,661)	(1,441)	(1,519)	(1,021)	(834)	(723)	(502)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 1
COSC's covered payroll	\$ 3,926	\$ 3,880	\$ 3,351	\$ 3,793	\$ 2,529	\$ 2,199	\$ 1,988	\$ 1,592
Contributions as a percentage of covered payroll	44.01%	42.81%	42.10%	40.05%	40.36%	37.91%	36.38%	31.54%

<sup>1</sup> 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:

- None

Changes of assumptions:

- Decrease the annual rate of real wage increase assumption from 0.75% to 0.50%
- Decrease payroll growth assumption from 3.25% to 3.00%
- Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

# Charter Oak State College

Schedule of OPEB Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2021 through 2017 valuation periods



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

Last 10 Fiscal Years <sup>1</sup>

	2021	2020	2019	2018	2017
COSC's proportion of the net OPEB liability	0.15%	0.16%	0.15%	0.12%	0.13%
COSC's proportionate share of the net OPEB liability	\$ 36,142,122	\$ 32,666,738	\$ 25,570,473	\$ 25,846,053	\$ 27,927,904
COSC's covered-employee payroll	\$ 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	628%	571%	446%	427%	453%
Plan Fiduciary net position as a percentage of the total OPEB liability	6.13%	5.40%	4.69%	3.03%	1.94%

<sup>1</sup> 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 <sup>1</sup>

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 1,331,438	\$ 1,189,231	\$ 1,187,694	\$ 1,000,421	\$ 985,748
Contributions in relation to the contractually required contribution	(1,331,438)	(1,189,231)	(1,187,694)	(1,000,421)	(985,748)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 5,750,894	\$ 5,716,228	\$ 5,739,353	\$ 6,053,317	\$ 6,171,250
Contributions as a percentage of covered employee payroll	23%	21%	21%	16.53%	15.97%

<sup>1</sup> 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, 2020 valuation, the following assumptions were updated:

- The discount rate was updated in accordance with GASB Statement No. 75 to 2.38% as of June 30, 2020 and 3.58% as of June 30, 2019
- The trends for Medicare-eligible retiree costs were updated to reflect final negotiated changes in Medicare Advantage rates for calendar year 2022.