Charter Oak State College

2022 FINANCIAL STATEMENTS

INCLUDING

Required Supplementary Information
Additional Supplemental Information

CSCU

June 30, 2022

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 7/1/21 – 6/30/22)

- 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
    - CT Chief workforce Officer

Regents as of 6/30/22

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

(Five vacancies: three legislative appointees and two Student Regent vacancies.)
JoAnn Ryan, Chair
Richard J. Balducci
Ira Bloom
Felice Gray-Kemp
Holly Howery
Juanita James
Jim McCarthy
Richard Porth
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
Dante Bartolomeo – Commissioner of the CT Department of Labor
Charlene Russell-Tucker –Commissioner of the State Department of Education
David Lehman – Commissioner of Department of Economic and Community Development
Dr. Manisha Juthani – Commissioner CT Dept. of Public Health
Kelli-Marie Vallieres – CT Chief Workforce Officer

Former Board members (who served between 7/1/21 – 6/30/22)

Matt Fleury – BOR Chair
Merle Harris – BOR Vice Chair
Aviva Budd – Regent
Naomi Cohen – Regent
David Jimenez – Regent
Kurt Westby – Retired Commissioner of the Dept. of Labor
Dr. Deidre Gifford – Acting Commissioner Appt. Ended – Dept. of Public Health

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

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, 2022, along with certain comparative information for the prior fiscal year ended June 30, 2021. 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 2022 to prior reporting periods is included. Full financial statements and footnotes for fiscal year 2022 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

Charter Oak State College had total assets of $13.7 million, deferred outflows of $15.2 million, liabilities of $59.6 million, deferred inflows of $10.0 million and a total net position balance of ($40.7) million as of June 30, 2022. Of this amount, ($42.8) million is classified as unrestricted net position which decreased slightly as compared to 2021. 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 $8.4 million, down 12% as compared to the previous year. Operating expenses were $21.3 million, a 8% decrease from the previous year, resulting in an operating loss of $12.9 million during the year ended June 30, 2022. Net non-operating revenues and other changes were $11.9 million up 24% compared with prior year. State of Connecticut general fund appropriations were also up 32% within fiscal 2022 at $8.6 million.

Cash and cash equivalents were $11.1 million at June 30, 2022, 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 $12.4 million as of June 30, 2022 compared to $10.8 million in the prior year. Liabilities decreased from $65.2 million to $59.6 million attributable to a 9% decrease in 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).

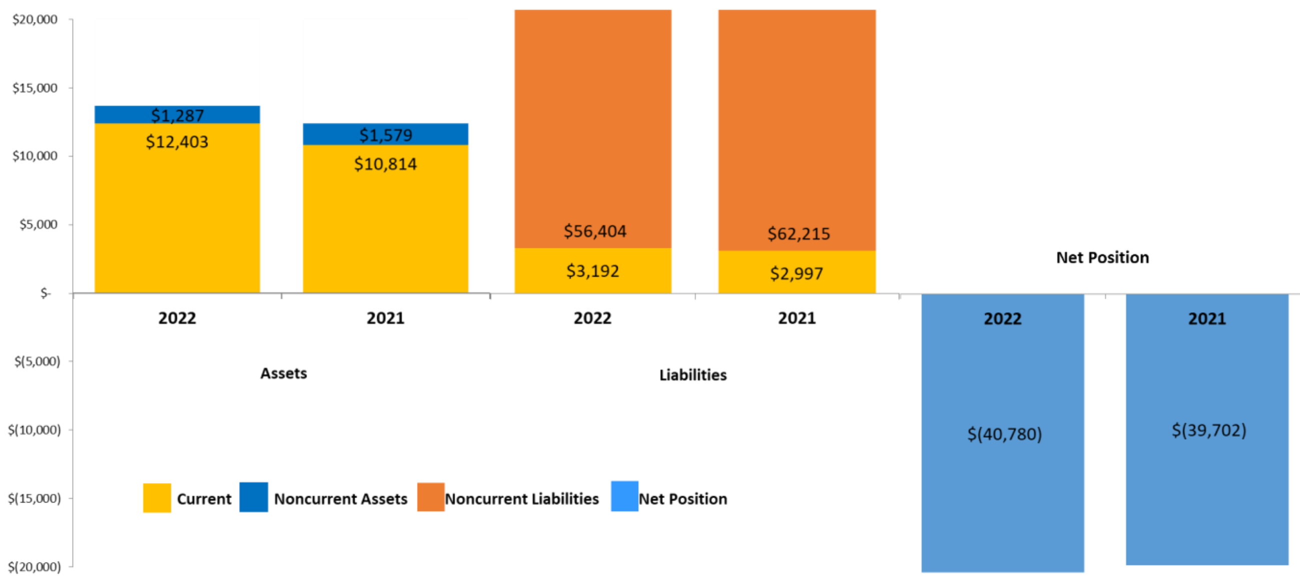
Statements of Net Position

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 Charter Oak State College, including capital assets net of depreciation.

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

	2022	2021	% Change
ASSETS			
Current assets	$ 12,403	$ 10,814	15%
Non-current assets	1,287	1,579	-18%
Total assets	13,690	12,393	10%
DEFERRED OUTFLOWS OF RESOURCES	15,221	16,082	-5%
LIABILITIES			
Current liabilities	3,192	2,997	7%
Noncurrent liabilities	56,404	62,215	-9%
Total liabilities	59,596	65,212	-9%
DEFERRED INFLOWS OF RESOURCES	10,095	2,965	240%
NET POSITION			
Invested in capital assets	1,287	1,579	-18%
Restricted-expendable	743	229	224%
Unrestricted	(42,810)	(41,510)	3%
Total net position	(40,780)	(39,702)	-3%

Current assets consist of cash, cash equivalents, accounts receivable and prepaid assets. The 15% increase in current assets from the previous year is largely attributable to an increase in cash. Accounts receivable decreased slightly due to the timing of settlements with third parties and favorable collections. 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.



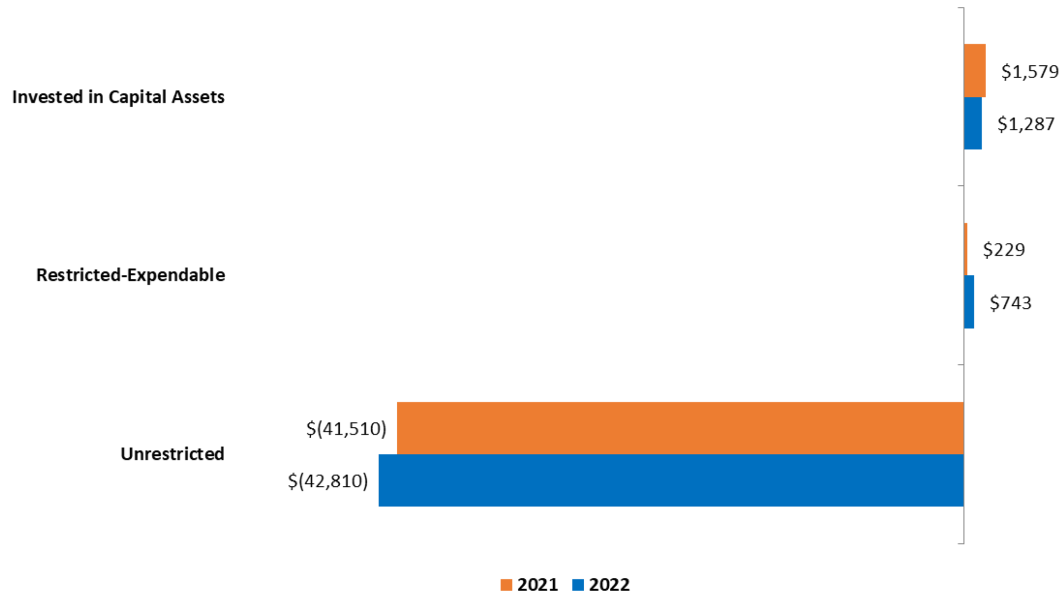
Non-current assets decreased 18% from $1.6 million at June 30, 2021, to $1.3 million at June 30, 2022. Net capital assets account for the total amount of non-current assets. At June 30, 2021, capital assets in service totaled $5.0 million, offset by $3.7 million in accumulated depreciation; this compared with $3.6 million of accumulated depreciation at the end of fiscal year 2021. The decrease in fiscal 2022 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 $0.2 million in equipment.

Current liabilities consist primarily of accrued payroll and related benefits, unearned revenue, and accounts payable. Total current liabilities were $3.2 million at the end of fiscal year 2022, representing a $0.2 million increase from fiscal year 2022. The most significant current liability was employee salary and fringe benefits payable of $1.4 million attributable to accrued payroll. 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 $25.8 million in pension liability, $29.8 million in other post-employment benefit liabilities and long-term accrued compensated absences ("ACA") of $0.8 million– to be paid out to terminating employees over time in the future beyond one year. Total non-current liabilities decreased by 9% in 2022 due to decreases in retirement benefit allocations 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 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 is included as personnel service costs within the income statement.

The total *net position* balance includes $1.3 million *Invested in capital assets, net of depreciation*. Charter Oak State College does not carry capital debt. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in COSC's financial statements.

COSC NET POSITION (in thousands)

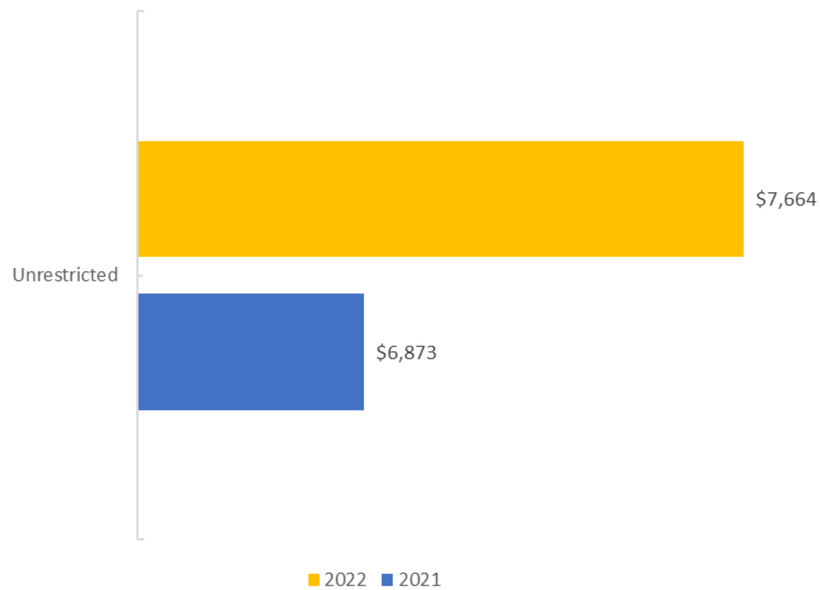


Restricted-Expendable net position represents primarily bond fund appropriation balances at June 30, 2022 and unexpended funds held for certain minor grant program activities. There were no significant changes in restricted-expendable net position year over year.

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 $0.8 million to $7.7 million during fiscal year 2022. 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 (in millions) over the past several years:

	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
UNP Excluding Pension and OPEB Liability	$1.5	$1.2	$0.7	$0.8	$0.9	$3.5	$6.0	$6.9	$7.7
UNP Adjusted for Pension Liability:	-	($6.1)	($6.7)	($7.4)	($8.9)	($8.7)	($9.0)	($11.0)	($11.7)
UNP Adjusted for Pension & OPEB Liability:	-	-	-	($34.3)	($36.0)	($36.0)	($37.6)	($41.5)	($42.8)

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 2022 were $8.4 million, down 12% from $9.5 million in fiscal year 2021. *Student tuition and fees* of $11.3 million represent the largest portion of operating revenue on a gross basis but are offset by student financial aid and waivers resulting in net tuition and fee revenue of $7.6 million after scholarship allowances. These revenues reflect downward enrollment trends with an increase in institutional aid.

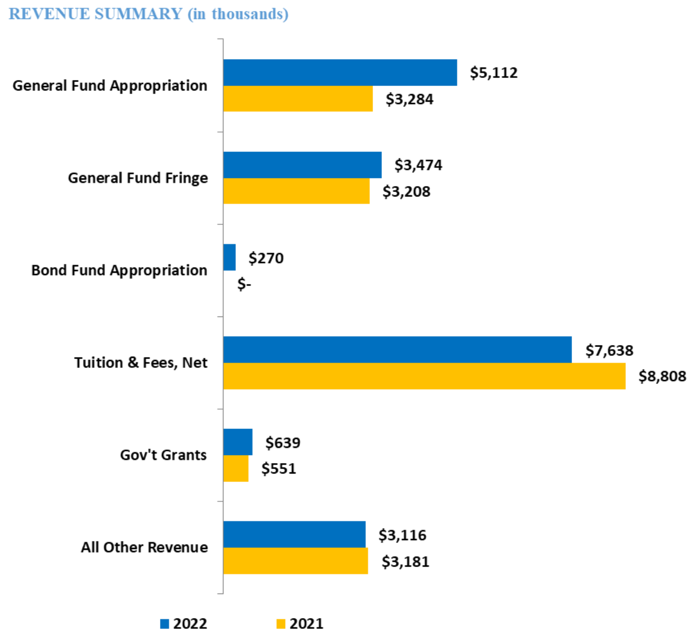
Condensed Combined Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30 (in thousands)

	2022	2021	% Change
OPERATING REVENUES			
Tuition and fees, net	7,638	8,808	-13%
Government grants and contracts	639	551	16%
Additional operating revenues	114	148	-23%
Total operating revenues	8,391	9,507	-12%
OPERATING EXPENSES			
Expenses before depreciation	21,035	23,021	-9%
Depreciation	292	236	24%
Total operating expenses	21,327	23,257	-8%
Operating loss	(12,936)	(13,750)	6%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund *	8,586	6,493	32%
State appropriations - capital appropriations	270	-	100%
Pell Grants	2,266	2,460	-8%
Other non-operating revenues (expenses), net	736	573	28%
Net non-operating revenues	11,858	9,526	24%
NET POSTION			
Change in net position	(1,078)	(4,224)	74%
Net position, beginning of year	(39,702)	(35,478)	-12%
Net position, end of year	$ (40,780)	$ (39,702)	-3%

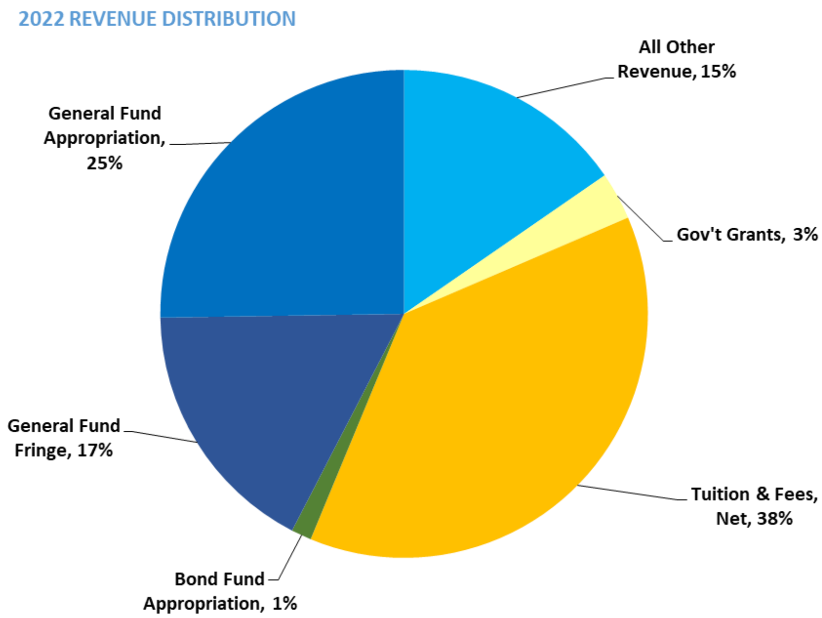
* Including non-cash fringe benefit expenditures

Charter Oak State College recorded an operating loss of $12.9 million during the year ended June 30, 2022. The primary contributing factors of the increase in loss year over year relates to decreased revenue. In addition, 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 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, 2022 were $0.6 million with federal and state dollars consistent with the previous fiscal year. *Additional operating revenues* were down $0.1 million from 2021 due to strategic targets for departments partnering with institutional entities.

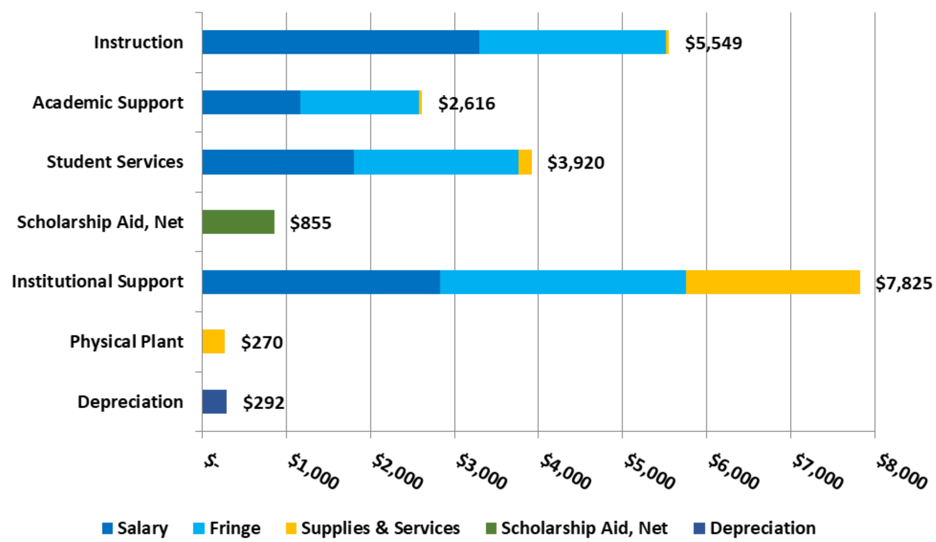


The State general fund appropriation for salaries and associated State of Connecticut reimbursements to cover fringe benefit increased by 8% in 2022. Charter Oak received bond fund appropriations of $0.3 million as compared to the no allocation in 2021. Other non-operating activity in fiscal year 2022 was limited to income earned on cash balances invested by the State treasurer's office.



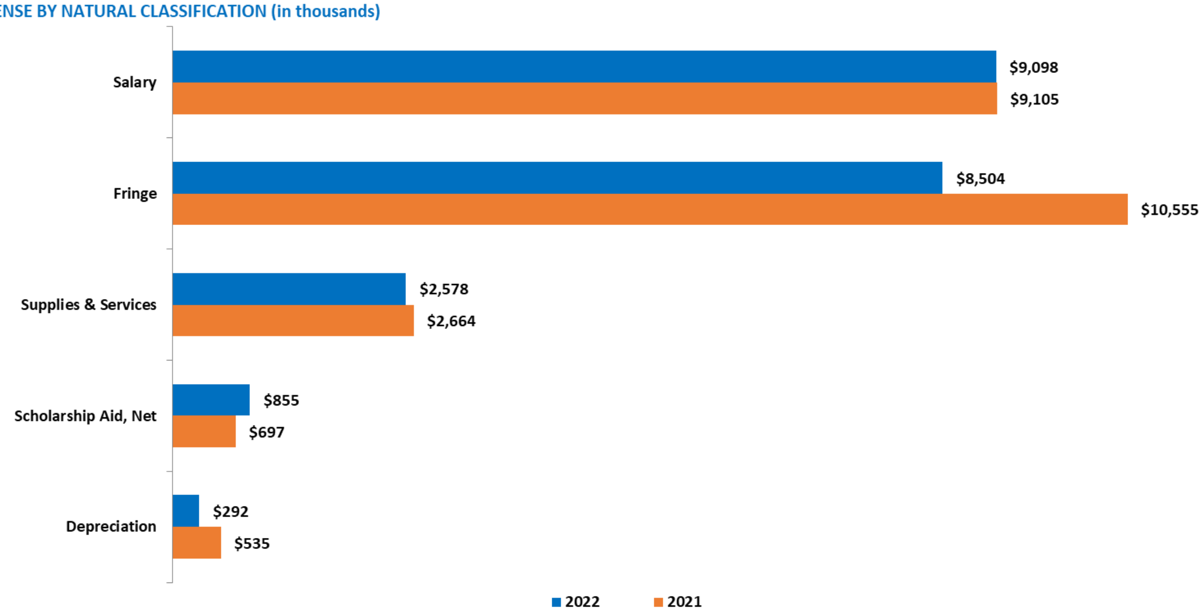
Total operating expenses for fiscal year 2022 were $21.3 million. This reflects an operating expense decrease of 8% from $23.2 million in fiscal year 2021. The decrease in fiscal year 2022 reflects an overall decrease in pension and other post retirement benefits recorded as fringe expenditures.

2022 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 $7.7 million and receipts from government grants and contracts of $0.6 million, which is down $1.0 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 $11.9 million, up 5% from prior year. Operating cash outflows also include vendor payments of $2.8 million, up 11% from prior year. Payments to students of $0.9 million for financial aid refunds and federal grants was up year over year due to the inclusion of Charter Oak students in qualifying for additional pandemic related aid. Net cash used in operating activities increased 43% in fiscal year 2022 when compared to fiscal year 2021, 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 $3.5 million, representing a non-cash transaction for COSC.

Capital and related financing cash flows are derived from capital appropriations from the state. 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 increased year over year due to increased return rates from the State's short term investment pool.

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

	2022	2021	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	$ (7,022)	$ (4,897)	43%
Noncapital financing activities	8,085	6,310	28%
Capital and related financing activities	270	-	100%
Investing activities	30	7	329%
Net change in cash and cash equivalents	1,363	1,420	-4%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	9,765	8,345	17%
Cash and cash equivalents, end of year	$ 11,128	$ 9,765	14%

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 over the past ten year period:

Year Ended June 30	Unduplicated Headcount	% Change	FTE	% Change
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 2021-2022 academic year, the College experienced a slight decrease in enrollment and increase in institutional aid awarded directly to students. The College continues to remain focused on balancing future affordable tuition rate structures with the financial needs of the College. Insitutional aid packages developed by the College are beginning to synergize with the community colleges in the State. The College is exploring further corporate partnerships to upskill the workforce by having employees attend the College part time while continuing to work full time. Out of state rates are being reconsidered by the College for the 2023-2024 academic year as geographic based pricing within a digital environment may prevent the College from being competitive in distant markets. The College continues receive feedback from its adult learners that residual impacts from the pandemic now coupled with inflationary issues limit the availability of household funds to commit to furthering an individuals degree.

Previously delayed due to the pandemic, the College will be renovating a previously existing office building in late 2022 and early 2023 with the intent to consolidate its New Britain and Newington, Connecticut campuses. 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

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, 2022, 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, 2022, 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 $2.4 million, and total net assets of $2.4 million as of June 30, 2022, and total revenues, capital gains and losses, and other support of ($0.2 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 audit. 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 opinions. 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, 2022, 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 35 through 38 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
December 21, 2022

		2022
Assets		
Current assets:		
Cash and cash equivalents	$	11,128,083
Accounts receivable, net		499,547
Other current assets		775,147
Total current assets		12,402,777
Noncurrent assets:		
Capital assets, net		1,287,004
Total noncurrent assets		1,287,004
Total assets		13,689,781
Deferred outflows of resources:		
Deferred pension		8,361,685
Deferred other post-employment benefits		6,859,496
Total deferred outflows of resources		15,221,181
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		156,048
Accrued payroll		1,405,768
Unearned tuition revenues		613,026
Accrued employee compensated absences		1,017,063
Total current liabilities		3,191,905
Noncurrent liabilities		
Accrued employee compensated absences		803,190
Net pension liability		25,776,491
Net other post-employment benefit liability		29,824,661
Total noncurrent liabilities		56,404,342
Total liabilities		59,596,247
Deferred inflows of resources:		
Deferred pension		1,902,187
Deferred other post-employment benefits		8,192,523
Total deferred inflows of resources		10,094,710
Net Assets		
Invested in capital assets, net of related debt		1,287,004
Restricted expendable		743,226
Unrestricted		(42,810,225)
Total net position (deficit)	$	(40,779,995)

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

CSCU

	2022
Operating revenues:	
Student tuition and fees	$ 11,287,894
Less: scholarships and fellowships	(3,649,905)
Net tuition and fees	7,637,989
Federal grants and contracts	374,980
State and local grants and contracts	263,840
Other operating revenue	113,842
Total operating revenues	8,390,651
Operating expenses:	
Personnel services and fees	17,602,636
Professional services and fees	179,931
Travel expenses	91,350
Operation and maintenance of plant	269,561
Student aid	854,543
Other operating expenses	2,036,487
Depreciation	292,040
Total operating expenses	21,326,548
Net operating income (loss)	(12,935,897)
Nonoperating revenues (Expenses):	
State appropriations	8,586,013
Investment income	30,412
Other nonoperating revenues	3,642
Federal emergency grant revenue	702,401
Pell grants	2,265,607
Net nonoperating revenues	11,588,075
Increase (decrease) in net position before capital appropriations	(1,347,822)
Capital appropriations	270,174
Increase (decrease) in net position	(1,077,648)
Net position:	
Net assets - beginning of year	(39,702,347)
Net assets - end of year	$ (40,779,995)

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

Charter Oak State College

Statement of Cash Flows

Year ended June 30, 2022

CSCU

	2022
Cash flows from operating activities	
Tuition and fees	$ 7,771,575
Grants and contracts	638,820
Payments to employees	(11,905,412)
Payments to suppliers and vendors	(2,751,282)
Payments to students	(854,543)
Other operating receipts	78,292
Net cash used in operating activities	(7,022,550)
Cash flows from non-capital financing activities	
State appropriations	5,112,461
Pell grants	2,265,607
Federal emergency grant revenue	702,401
Other	3,642
Net cash provided by non-capital financing activities	8,084,111
Cash flows from capital financing activities	
Capital appropriations	270,174
Net cash provided by capital financing activities	270,174
Cash flows from investing activities	
Interest on cash held by the State	30,412
Net increase (decrease) in cash and equivalents	1,362,147
Cash and equivalents, beginning of year	9,765,936
Cash and equivalents, end of year	11,128,083
Reconciliation of net operating loss to net cash used in operating activities	
Net operating loss	(12,935,897)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	292,040
Fringe benefits provided by the state	3,473,552
Changes in assets and liabilities:	
Accounts receivable	60,196
Other current assets	(287,032)
Accounts payable	82,260
Accrued payroll	175,223
Accrued employee compensation and benefits	(43,073)
Unearned tuition revenues	68,659
Net pension obligation	1,482,730
Net other post-employment benefit obligation	608,792
Net cash used for operating activities	$ (7,022,550)
Non-cash transaction	
Fringe benefits provided by the state	$ 3,473,552

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

Statement of Financial Position

Assets	
Cash and cash equivalents	$ 66,793
Investments	2,365,141
Other assets	2,482
Total assets	2,434,416
Liabilities	
Accounts payable	7,662
Total liabilities	7,662
Net assets	
Without donor restrictions	46,384
With donor restrictions	2,380,370
Total liabilities and net assets	$ 2,434,416

Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	$ 15,532	$ 101,449	$ 116,981
Interest income	8	-	8
Investment return, net	-	(348,509)	(348,509)
Fundraiser proceeds, net	-	8,171	8,171
Net assets released from restrictions:			
Restrictions satisfied by payments	137,483	(137,483)	-
Total revenues and support	153,023	(376,372)	(223,349)
Expenses			
Program services - scholarships and grants	129,986		129,986
Supporting services - administrative and fundraising	23,968		23,968
Total expenses	153,954	-	153,954
Change in net assets	(931)	(376,372)	(377,303)
Net position			
Net assets - beginning of year	47,315	2,756,742	2,804,057
Net assets - end of year	$ 46,384	$ 2,380,370	$ 2,426,754

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 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 the Current Fiscal Year

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. This standard was adopted and had no material impact as a result of the adoption.

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. This standard was adopted in fiscal year 2022 and had no material impact as a result of the adoption.

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.

This standard was adopted in fiscal year 2022 and had no material impact as a result of the adoption.

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. This standard was adopted in fiscal year 2022 and had no material impact as a result of the adoption.

GASB Pronouncements Effective in Future Fiscal Years

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.

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 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. The requirement of this Statement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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. The requirement of this Statement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

Management 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, 2022, through December 21, 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, 2022 was 1.50%. 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, 2022.

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:

	2022
Student accounts receivable	$ 745,613
Other receivables	30,725
Gross accounts receivable	776,338
Less: allowance for doubtful accounts	(276,791)
Accounts receivable, net	$ 499,547

4. Capital Assets

Capital Asset activity for the year ended June 30, 2022 is as follows:

	Estimated life (in years)	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not depreciated:					
Art		$ 15,000	$ -	$ -	$ 15,000
Capital assets, depreciated:					
Buildings and improvements	10-40	2,508,961	-	-	2,508,961
Furnishings and equipment	5	2,230,057	-	(181,190)	2,048,867
Software	5	432,976	-	-	432,976
Total depreciable assets		5,171,994	-	(181,190)	4,990,804
Total capital assets		5,186,994	-	(181,190)	5,005,804
Less: accumulated depreciation					
Buildings and Improvements		1,493,610	58,002	-	1,551,612
Furnishings and equipment		1,805,294	146,558	(181,190)	1,770,662
Software		309,046	87,480	-	396,526
Total accumulated depreciation		3,607,950	292,040	(181,190)	3,718,800
Capital assets, net		1,579,044	(292,040)	-	1,287,004

5. Accrued Compensated Absences

Accrued compensated absences at June 30, 2022 consist of:

		Current		Non Current		Total
Vacation	$	939,079	$	627,499	$	1,566,578
Sick		77,984		175,691		253,675
	$	1,017,063	$	803,190	$	1,820,253

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

Balance as of June 30, 2021	$	1,863,326
Additions during the fiscal year		128,098
Benefits paid to employees during the fiscal year		(171,171)
Balance as of June 30, 2022		1,820,253

These accruals represent estimated amounts earned by all eligible employees through June 30, 2022. 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 2022.

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, 2022 relate to Cash and Cash equivalents held by the State Treasurer.

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

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, 2022. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances as of June 30, 2022 were not material.

8. Unearned Revenue

Unearned revenues for the year ended June 30, 2022 amounted to $613,026

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 65.9% for SERS in the fiscal year ended June 30, 2022 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, 2022 was measured and valued as of June 30, 2021 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, 2022.

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, 2022 for SERS was $25.8 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 2021 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, 2021 valuation (which was the basis for recording the June 30, 2022 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2021.

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 2021 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 2021 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.

CSCU

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%)*
$31,330,284	*$25,780,449*	*$21,152,598*

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 $1,482,730. A schedule of deferred outflows and inflows of resources as of June 30, 2022 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
2023	$ 1,641,245	$ 15,739	$ 1,656,984
2024	1,020,345	13,696	1,034,041
2025	713,849	12,135	725,984
2026	213,923	9,103	223,026
2027	244,722	5,169	249,891
Thereafter	-	1,235	1,235
Total	$ 3,834,084	$ 57,077	$ 3,891,161

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 2021 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%	

CSCU

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, 2022 was measured and valued as of June 30, 2021 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, 2022 for SEOPEBP was $29.8 million.

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	2.31%
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 (1.31%)	Current Discount (2.31%)	1% Increase (3.31%)
$35,400,962	$29,824,662	$25,396,399

Healthcare cost trend rate sensitivity:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$25,070,099	$29,824,662	$35,978,886

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

For the year ended June 30, 2022, COSC recognized OPEB expense of $608,791. A schedule of deferred outflows and inflows of resources as of June 30, 2022 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
2023	$	(334,397)
2024		36,790
2025		(752,490)
2026		(1,365,306)
2027		(220,423)
Thereafter		-
Total	$	(2,635,826)

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	$-	$-	$-	$-	$292	$292
Physical Plant	-	-	270	-	-	270
Institutional Support	2,825	2,924	2,076	-	-	7,825
Scholarship Aid, Net	-	-	-	855	-	855
Student Services	1,803	1,955	162	-	-	3,920
Academic Support	1,170	1,411	35	-	-	2,616
Instruction	3,300	2,214	35	-	-	5,549
Total operating expenses	$9,098	$8,504	$2,578	$855	$292	$21,327

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, 2022 (in thousands):

	SERS	TRS	Total Pension	OPEB	Total Deferred
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$ 1,784	$ -	$ 1,784	$ -	$ 1,784
Changes of assumptions or other inputs	-	-	-	4,317	4,317
Net difference between projected and actual earnings on pension plan investments	-	-	-	479	479
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,953	57	4,010	760	4,770
Employer contributions after measurement date	2,519	49	2,568	1,303	3,871
Total	$ 8,256	$ 106	$ 8,362	$ 6,859	$ 15,221
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$ -	$ -	$ -	$ 588	$ 588
Changes of assumptions or other inputs	48	-	48	6,428	6,476
Net difference between projected and actual earnings on investments	1,818	-	1,818	278	2,096
Changes in proportion and differences between employer contributions and proportionate share of contributions	37	-	37	898	$ 935
Total	$ 1,903	$ -	$ 1,903	$ 8,192	$ 10,095

REQUIRED SUPPLEMENTARY INFORMATION

Charter Oak State College

Schedule of Net Pension Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2022 through 2014

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
COSC's proportion of the net pension liability	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	$ 25,776	$ 25,358	$ 24,013	$ 21,201	$ 20,753	$ 15,610 0	$ 10,043	$ 9,130	$ 7,870
COSC's covered payroll	$ 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	553%	646%	619%	633%	563%	617%	457%	459%	494%
Plan Fiduciary net position as a percentage of the total pension liability	44.55%	35.84%	36.79%	36.25%	36.25%	31.69%	39.23%	39.54%	Unavailable[1]

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 2,166	$ 1,728	$ 1,661	$ 1,441	$ 1,519	$ 1,021	$ 834	$ 727	$ 503
Contributions in relation to the contractually required contribution	(2,166)	(1,728)	(1,661)	(1,441)	(1,519)	(1,021)	(834)	(723)	(502)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4	$ 1
COSC's covered payroll	$ 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	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, 2021 valuation, the following changes of benefit terms were included:

- The annual COLA for those retiring on or after July 1, 2022 is based on the annualrate of increase in CPI-W from 0% to 2%, plus 60% of the annual rate of increase in CPI-W from 3% to 6%, plus 75% of the annual rate of increase in CPI-W above 6% and with a cap on the COLA rate of 7.5%.
- A COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.

For the June 30, 2021 valuation, the following changes of assumptions were included:

- Wage Inflation assumed rate changed from 3.5% to 3%.
- Assumed Salary Scale changed to reflect experience in above wage inflation ratesof increase.
- Assumed rates of mortality have been revised to the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale.
- Assumed rates of withdrawal, disability, and retirement have been adjusted toreflect experience more closely.

Charter Oak State College

Schedule of OPEB Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2022 through 2017 valuation periods

CSCU

Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years [1]

	2022	2021	2020	2019	2018	2017
COSC's proportion of the net OPEB liability	0.15%	0.15%	0.16%	0.15%	0.12%	0.13%
COSC's proportionate share of the net OPEB liability	$ 29,824,661	$ 36,142,123	$ 32,666,738	$ 25,570,473	$ 25,846,053	$ 27,927,904
COSC's covered-employee payroll	$ 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	535%	628%	571%	446%	427%	453%
Plan Fiduciary net position as a percentage of the total OPEB liability	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]

	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 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	(1,325,821)	(1,331,438)	(1,189,231)	(1,187,694)	(1,000,421)	(985,748)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 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	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.

1. Changes in Assumptions for State Employee OPEB Plan

For the June 30, 2021 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 2.31% as of June 30, 2021.
- The demographic assumptions (mortality, disability, retirement, withdrawal andsalary scale) were updated to be consistent with the corresponding retirementsystem assumptions.
- Per capita health costs, administrative expenses, and retiree contributions were updated for recent experience.
- Health care cost trend rates and retiree contribution increase rates were adjusted.