CSCU

Charter Oak State College

2020

Financial Statements

INCLUDING

Required Supplementary Information
Additional Supplemental Information

June 30, 2020

Mission Statement

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

Members of the Board of Regents for Higher Education

(Between 7/1/19 – 6/30/20)

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

Regents as of 6/30/20

(Two vacancies: both legislative appointees.)

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

Ex-Officio, Non-voting members

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

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

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

Charter Oak State College
55 Paul Manafort Drive
New Britain, CT 06053

Ed Klonoski, President

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

Mark E. Ojakian, 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 units for the fiscal year ended June 30, 2020, along with certain comparative information for the prior fiscal year ended June 30, 2019. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

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

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

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

Using The Financial Statements

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

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

Financial Highlights

Charter Oak State College had total assets of $11.6 million, deferred outflows of $16.2 million, liabilities of $60.1 million, deferred inflows of $3.2 million and a total net position balance of ($35.5) million as of June 30, 2020. Of this amount, ($37.6) million is classified as unrestricted net position which decreased slightly as compared to 2019. The negative balance in unrestricted net position is a result of the pension and other post-employment benefit liabilities, as discussed further within this report.

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

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

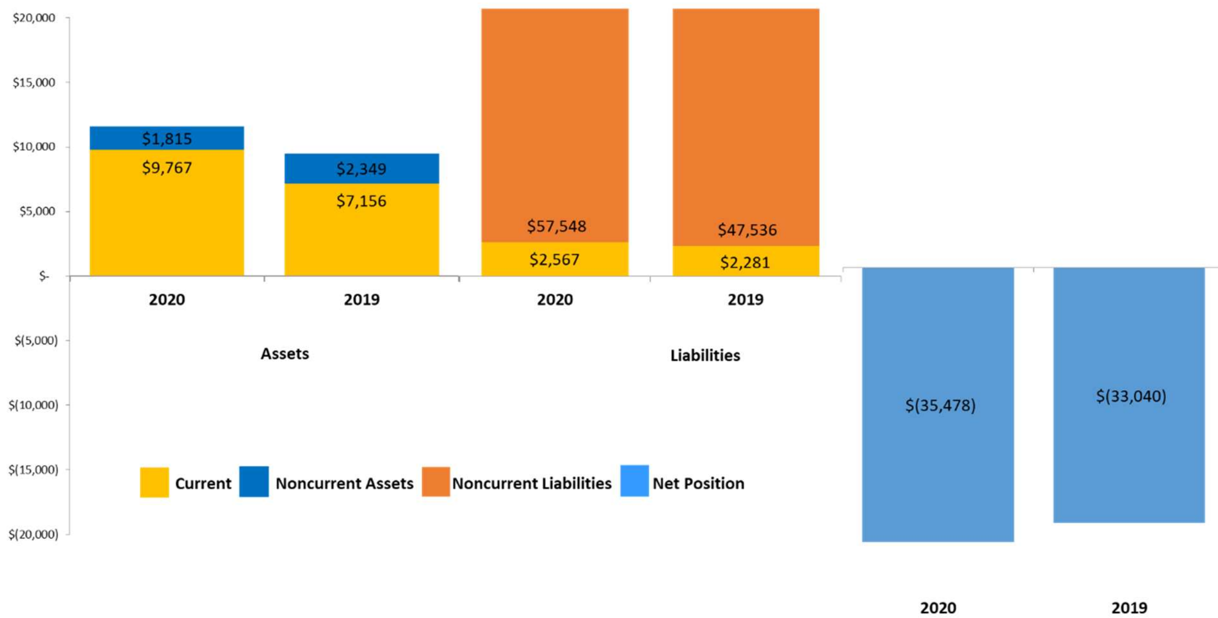
Statements of Net Position

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

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

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

Current assets consist of cash, cash equivalents, accounts receivable and prepaid assets. The 36% increase in current assets from the previous year is largely attributable to an increase in cash. Both prepaid assets and accounts receivable increased slightly. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short-Term Investment Fund ("STIF") on behalf of State agencies. COSC does not carry any other separate investments.

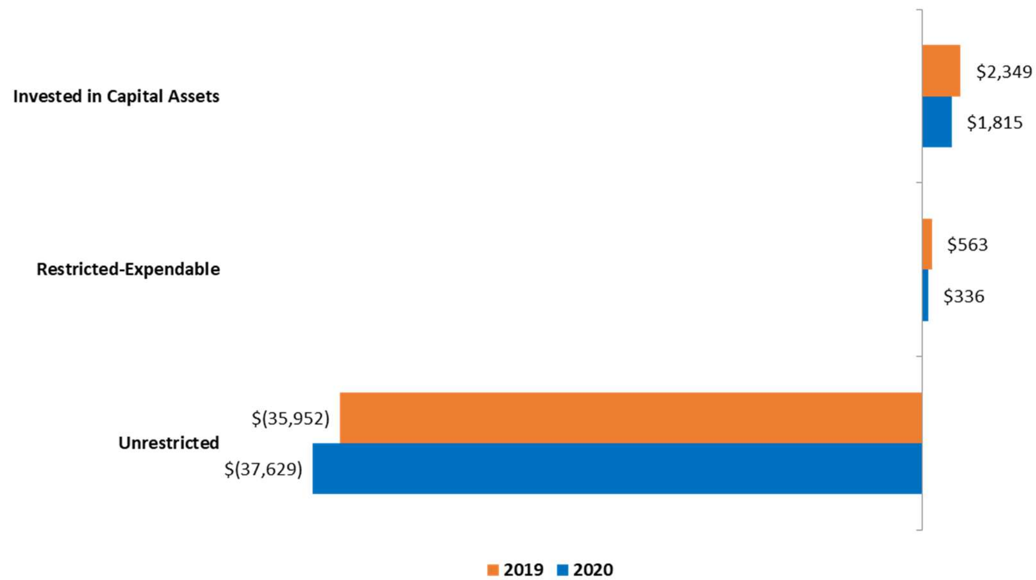


Non-current assets decreased 23% from $2.3 million at June 30, 2019, to $1.8 million at June 30, 2020. Net capital assets account for the total amount of non-current assets. At June 30, 2020, capital assets in service totaled $5.8 million, offset by $4.0 million in accumulated depreciation; this compared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

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

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

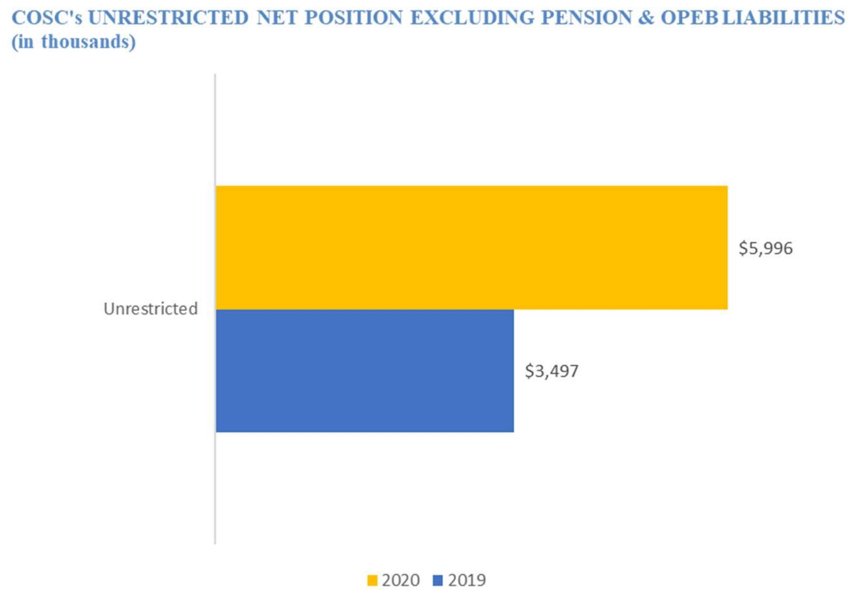
The total *net position* balance includes $1.8 million *Invested in capital assets, net of depreciation*. Charter Oak State College does not carry capital debt. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in COSC's financial statements.



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

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

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



Statement of Revenues, Expenses and Changes in Net Position

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

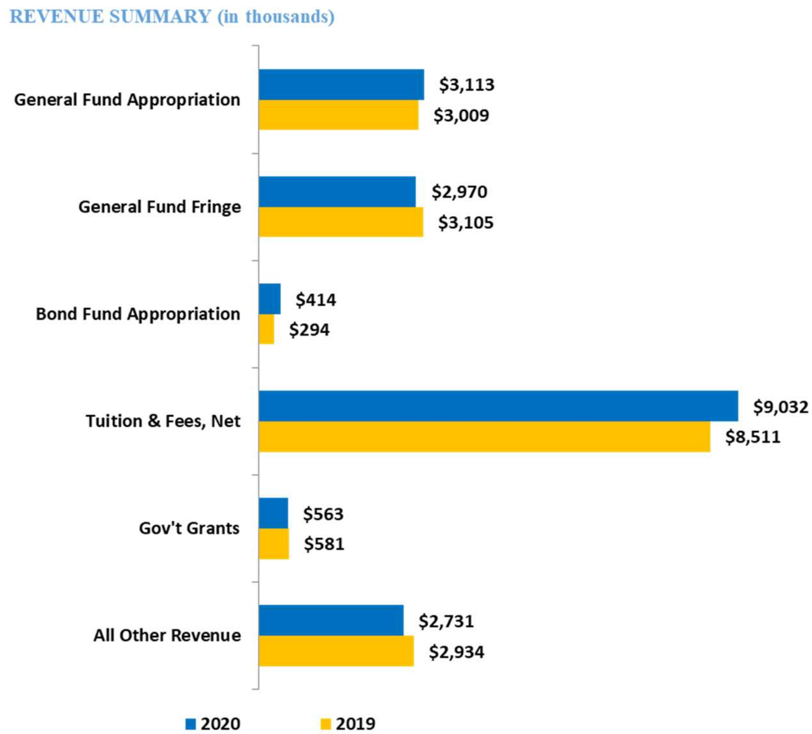
Condensed Combined Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30 (in thousands)

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

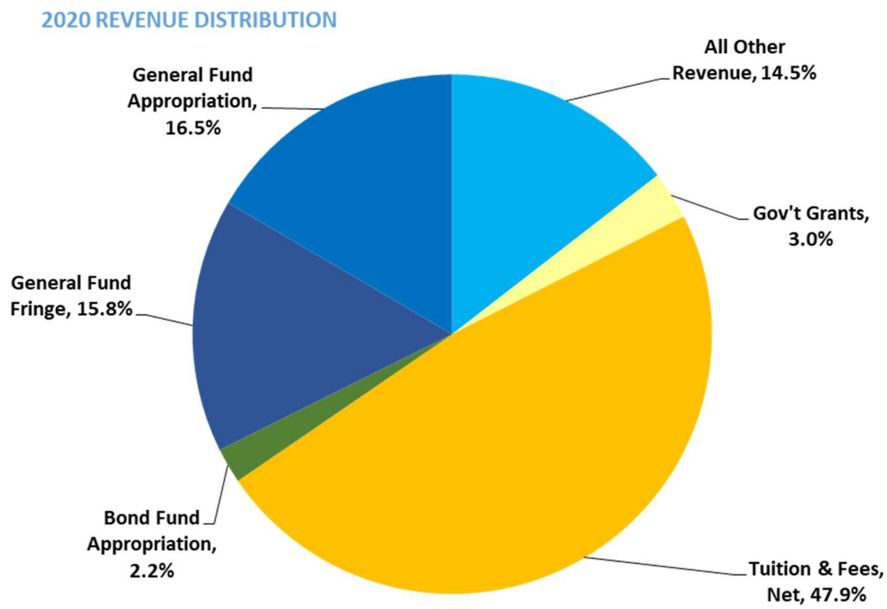
* Including non-cash fringe benefit expenditures

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

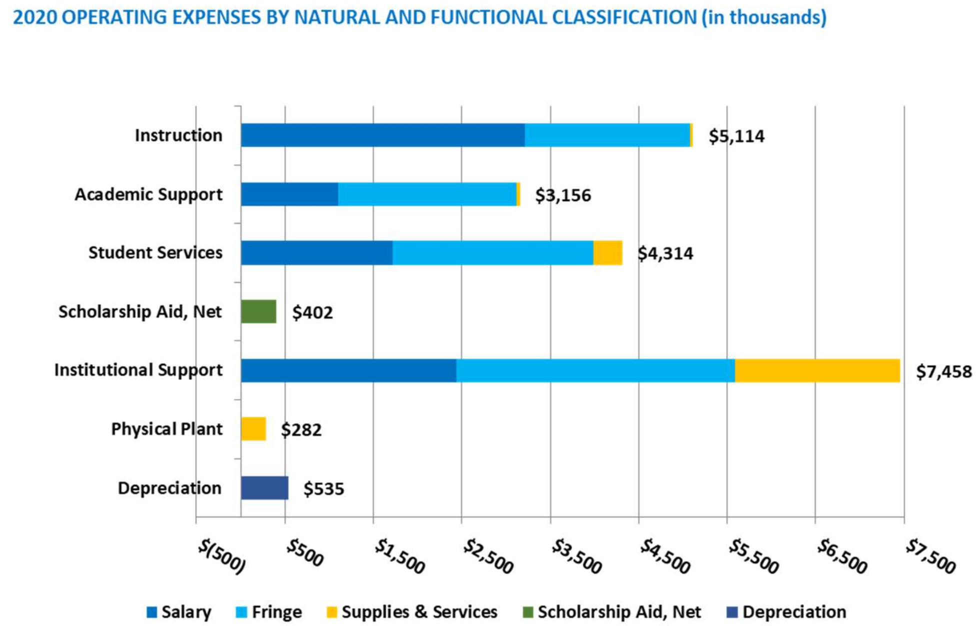
Government grant revenues are comprised of the federally funded Supplemental Education Opportunity Grant ("SEOG") and the Adult Education grants together with other state government grants which fund various program-related activities. Government grant revenues at June 30, 2020 were $0.6 million with federal and state dollars consistent with the previous fiscal year. *Additional operating revenues* totaled $0.2 million in 2020, down 64% from $0.7 million in fiscal year 2019 driven by the closure of the Connecticut Distance Learning Consortium.



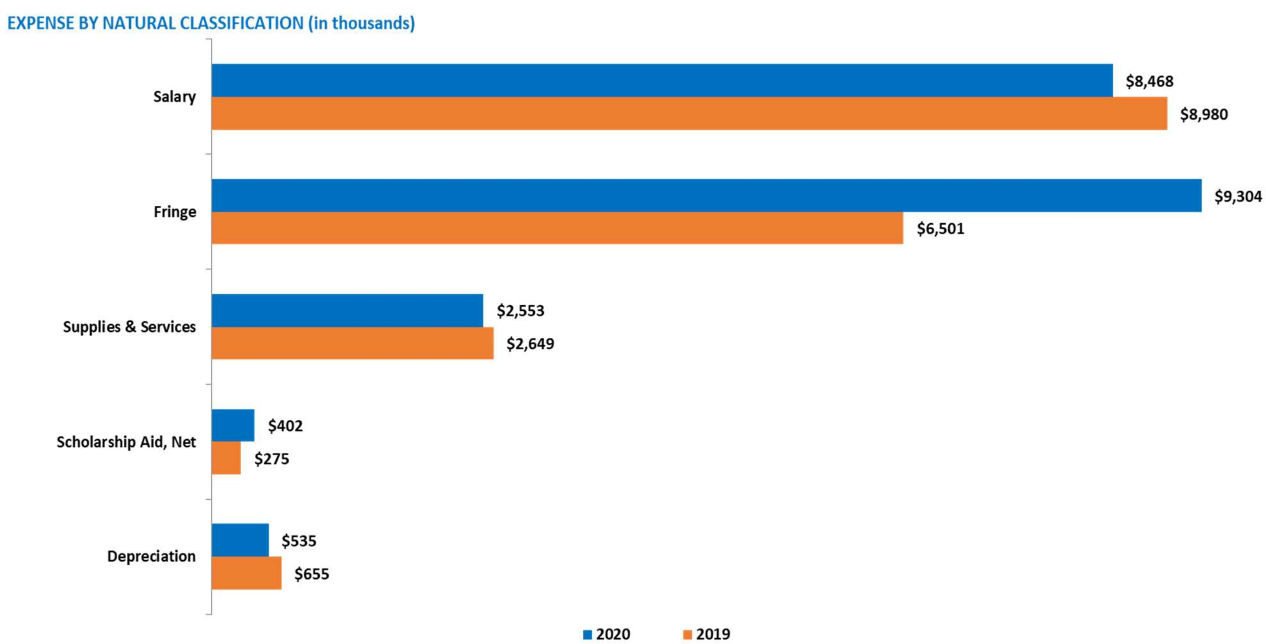
The State general fund appropriation for salaries and associated State of Connecticut reimbursements to cover fringe benefit remained flat in 2020. Bond fund appropriation revenues increased from $0.3 million in 2019 to $0.4 million in 2020 as no significant purchases for capital equipment were planned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



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



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.



Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. Major sources of *operating activity* cash inflows include receipts of student tuition and fees of $8.8 million and receipts from government grants and contracts of $0.6 million, which is up slightly as compared to the prior fiscal year. Cash is also received from other miscellaneous activities such as testing, educational services and Connecticut Credit Assessment Program (CCAP). The largest operating cash outflows include salaries paid to employees of $10.3 million, up 2% from prior year. Operating cash outflows also include vendor payments of $2.6 million, up 4% from prior year. Payments to students of $0.4 million for financial aid refunds was consistent with prior year. Net cash used in operating activities increased 12% in fiscal year 2020 when compared to fiscal year 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 $3.0 million, representing a non-cash transaction for COSC.

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

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

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

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:

Year Ended June 30	Unduplicated Headcount	% Change	FTE	% Change
2020	2,350	0.6%	977	7.1%
2019	2,337	3.0%	912	3.9%
2018	2,270	-4.8%	878	-5.2%
2017	2,384	-4.9%	926	-2.5%
2016	2,507	-14.0%	950	-11.2%
2015	2,915	17.1%	1070	18.1%
2014	2,489	-4.0%	906	-1.2%
2013	2,592	-1.7%	917	4.0%
2012	2,637	-	882	-

Economic Outlook

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

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

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

Additional Information

This financial report is designed to provide a general overview of COSC's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to Michael Moriarty, Vice President for Administration & Chief Financial Officer (860-515-3760).

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Regents of
Connecticut State Colleges and Universities

Report on the financial statements

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

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

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

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

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

GrantThornton

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

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

Other matters

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

Grant Thornton LLP

Boston, Massachusetts
December 22, 2020

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

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

Charter Oak State College

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2020

CSCU

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

CSCU

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

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

Statement of Financial Position and Activities – Component Unit (in 000's)

Statement of Financial Position

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

Statement of Activities

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

1. Summary of Significant Accounting Policies

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

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

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

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

- The statement of net position present information on all COSC's assets, liabilities, deferred outflows and inflows, and net position.
- The statement of revenues, expenses and changes in net position present information showing how the COSC's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).
- The statement of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

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

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board ("FASB") standards, which includes guidelines for Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's separately audited financial information for purposes of inclusion in COSC's financial statements herein.

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

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

- **Restricted Expendable**
  Net position whose use by COSC is subject to externally imposed stipulations that can be fulfilled by actions of COSC pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the Board of Regents ("BOR") or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic initiatives, and capital programs.

The Statement of Net Position of the component unit is classified as those net assets with and without donor restrictions consistent with the presentation required under ASU 2016-14 and the reporting framework applicable to the component unit.

Classification of Assets and Liabilities
COSC presents short-term and long-term assets and liabilities in the statement of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30. Cash and cash equivalents and investments presented as short-term in the statement of net position include balances with a maturity of one year or less from June 30.

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

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

Fair Value of Financial Instruments
Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable and accounts payable.

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

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

Pension & Other Post Employment Obligations
COSC records pension and other post-employment obligations equal to the net pension for its portion of the State's defined benefit and retiree health plans. These net liabilities are measured as the total pension and health liability, less the amount of the respective plan's fiduciary net position. The total liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Because there are other state entities participating in the plans, the net liability recorded by COSC is based on an allocation of the total net liability, as determined by an independent actuary.

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

Unearned Tuition Revenues
Unearned tuition revenues consist primarily of tuition and fees that have been collected as of June 30, but are applicable to classes held thereafter. COSC recognizes revenue entirely for a class once 60% of the class has been completed, a threshold consistent with the earned period identified by the Department of Education for the return of Title IV funds.

Tuition and Fees Revenue
Student tuition and fees revenue is recognized in the period earned. Student tuition and fee revenue is presented net of scholarship allowance and waivers in accordance with GASB Statement No. 35. Student aid for scholarships recorded in the statement of revenues, expenses and changes in net position includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees is reflected as a scholarship allowance.

Operating Activities
Operating activities as reported on the statement of revenue, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of COSC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded

as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, Pell grants, gifts and investment income.

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

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

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

GASB Pronouncements Effective in Future Fiscal Years

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

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance 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. The anticipated impact of this pronouncement is uncertain at this time and is under review by management.

Subsequent Events
In accordance with generally accepted accounting principles, COSC has evaluated subsequent events for the period after June 30, 2020, through December 22, 2020, the date the financial statements were issued noting no material events.

2. Cash and Cash Equivalents

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

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2020 was 0.25%.

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

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. COSC is only invested in the State of Connecticut Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. There is low risk to these types of investments.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. The majority of COSC's total cash, cash equivalents and investments were invested in the STIF and the State's pooled, interest credit program accounts as of June 30, 2020.

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

3. Accounts Receivable

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

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

4. Capital Assets

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

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

5. Accrued Compensated Absences

Accrued compensated absences at June 30, 2020 consist of:

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

These accruals represent estimated amounts earned by all eligible employees through June 30, 2020. The ACA will be settled over several years and are not expected to have a significant impact on the future annual cash flows of COSC. The current portion of compensated absences is estimated based on recent past history.

6. Related Parties

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

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

7. Commitments, Contingencies and Leases

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

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

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

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

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

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

8. Pension Plans

Plan Description

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

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

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

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

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

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

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

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

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

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to COSC is calculated separately. The net pension liability for COSC as of June 30, 2019 for SERS was $24.0 million. COSC has no net pension liability associated with the TRS due to COSC's proportional size to the overall plan.

Actuarial Assumptions for SERS:

The total pension liability for the 2019 measurement year was determined using the following actuarial assumptions, applied to all periods:

Inflation	*2.50%*
Salary increases including inflation	*3.50% - 19.50%*
Investment rate of return, net of expense, including inflation	*6.90%*

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class as of 2019 measurement date are summarized in the following table:

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

Discount Rate for SERS:

The discount rate used to measure the total pension liability was 6.9% in the 2019 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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%)
$28,677,465	$24,012,625	$20,121,401

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

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

9. Other Post-Employment Benefits

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

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

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

Plan Description

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

Funding Policy

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

Investments

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

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

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

For the SEOPEBP plan, at June 30, 2020 COSC's proportion was 0.15%. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately. The net OPEB liability for COSC as of June 30, 2019 for SEOPEBP was $32.6 million.

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

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

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

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

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

Discount rate sensitivity:

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

CSCU

Healthcare cost trend sensitivity:

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

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

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

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

10. Unearned Revenue

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

11. Natural Classification with Functional Classification

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

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

12. Bonds Payable

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities of COSC. The State obtains its funds for these construction projects from general obligation bonds which it issues from time to time. The State is responsible for all repayments of the bonds in accordance with bond indentures. Debt service on bonds issued by the State to finance educational and general facilities is funded by the General fund of the State, which is in the custody of the State Treasurer. These bonds do not require repayment by COSC and, accordingly, the State's debt obligation attributable to COSC educational and general facilities is not reported as COSC debt.

13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2020 (in thousands):

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

REQUIRED SUPPLEMENTARY INFORMATION

Charter Oak State College

Schedule of Net Pension Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2020 through 2014

CSCU

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

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

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

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

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

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

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

Changes in benefit terms:

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

Changes of assumptions:

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

Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years [1]

	2020	2019	2018	2017
COSC's proportion of the net OPEB liability	0.16%	0.15%	0.12%	0.13%
COSC's proportionate share of the net OPEB liability	$ 32,666,738	$ 25,570,473	$ 25,846,053	$ 27,927,904
COSC's covered-employee payroll	$ 5,716,228	$ 5,739,353	$ 6,053,317	$ 6,171,250
COSC's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	571%	446%	427%	453%
Plan Fiduciary net position as a percentage of the total OPEB liability	5.40%	4.69%	3.03%	1.94%

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

Schedule of Contributions
Other Post Employment Benefits

Last 10 Fiscal Years [1]

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

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

1. Changes in Assumptions for State Employee OPEB Plan

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

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