



**Connecticut State
Universities**

2020

Financial Statements

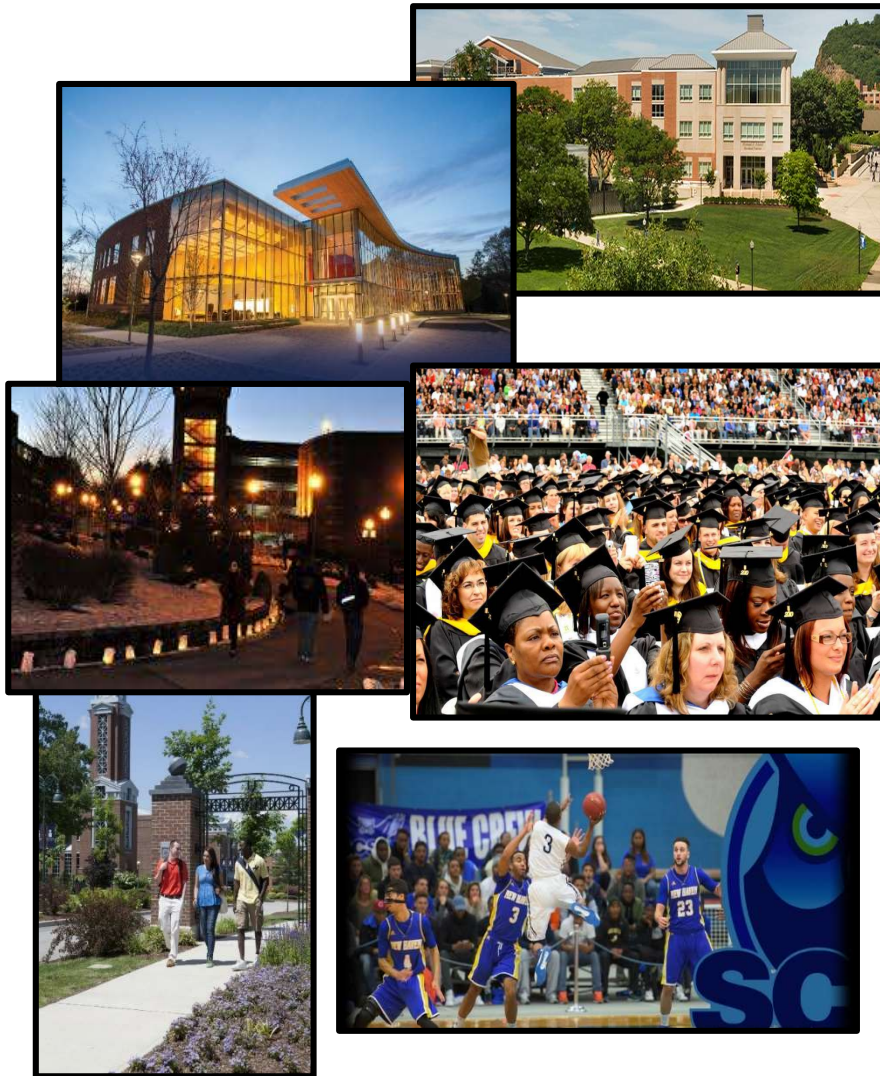
INCLUDING

Required Supplementary Information
Additional Supplemental Information

June 30, 2020

Connecticut State Universities Mission Statement

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



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

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

REGENTS AS OF 6/30/20

(Two vacancies: both legislative appointees.)

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

EX-OFFICIO, NON-VOTING MEMBERS

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

EX-OFFICIO, NON-VOTING MEMBERS

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

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

Pete Rosa

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



Connecticut State Universities

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

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

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

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

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

Connecticut State University System

Index to Financial Statements

June 30, 2020 and 2019



	Page
Management's Discussion and Analysis (Unaudited)	
Introduction	1
Using the Financial Statements	1
Financial Highlights	2
Condensed Statements of Net Position	2
Condensed Statements of Revenues, Expenses and Changes in Net Position	6
Condensed Statements of Cash Flows	9
Economic Outlook	9
Report of Independent Certified Public Accountants	11
Financial Statements	
Statements of Net Position	14
Statements of Financial Position – Component Units	16
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Activities – Component Units	18
Statements of Cash Flows	19
Notes to Financial Statements	21
Required Supplementary Information (Unaudited)	
Schedule of Net Pension Liability and Related Ratios	S-2
Schedule of Contributions	S-3
Notes to Required Supplemental Information	S-4
Supplementary Schedules	
Combining Statements of Net Position	S-5
Combining Statements of Revenues, Expenses and Changes in Net Position	S-7
Combining Statements of Cash Flows	S-8
Notes to the Supplemental Schedules	S-9

Introduction

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

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

CSUS is a state-wide public university system of higher learning in the State of Connecticut with 31,582 enrolled students. The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 150 subject areas and provide extensive opportunities for internships, community service and cultural engagement. In total, CSUS employed approximately 3,000 full time employees at June 30, 2020.

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

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

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

Using the Financial Statements

CSUS's financial report includes the following financial statements: the 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 the System as a whole. As required by GASB Statements No. 34 and 35, fiscal year 2020 and 2019 financial data is presented, both for the CSUS *primary institution*, as well as for certain other organizations that have a significant related party relationship with CSUS (the "component units").

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

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

Financial Highlights

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

Condensed Statements of Net Position

June 30, 2020 and 2019

(in millions)

	2020	2019	% Change
ASSETS			
Current assets	\$ 387.7	\$ 420.9	(7.9%)
Non-current assets:			
Capital assets, net	1,230.6	1,224.8	0.5%
Other	177.5	182.9	(3.0%)
Total assets	<u>1,795.7</u>	<u>1,828.6</u>	<u>(1.8%)</u>
DEFERRED OUTFLOWS OF RESOURCES	699.3	320.9	117.9%
LIABILITIES			
Current liabilities	150.9	145.7	3.6%
Non-current liabilities	<u>2,822.6</u>	<u>2,294.9</u>	<u>23.0%</u>
Total liabilities	<u>2,973.5</u>	<u>2,440.6</u>	<u>21.8%</u>
DEFERRED INFLOWS OF RESOURCES	138.8	130.6	6.3%
NET POSITION			
Net investment in capital assets	1,093.3	1,076.2	1.6%
Restricted nonexpendable	0.5	0.5	0.0%
Restricted expendable	24.0	32.6	(26.3%)
Unrestricted	<u>(1,735.1)</u>	<u>(1,531.0)</u>	<u>(13.3%)</u>
Total net position	<u>(617.2)</u>	<u>(421.7)</u>	<u>(46.4%)</u>

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

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

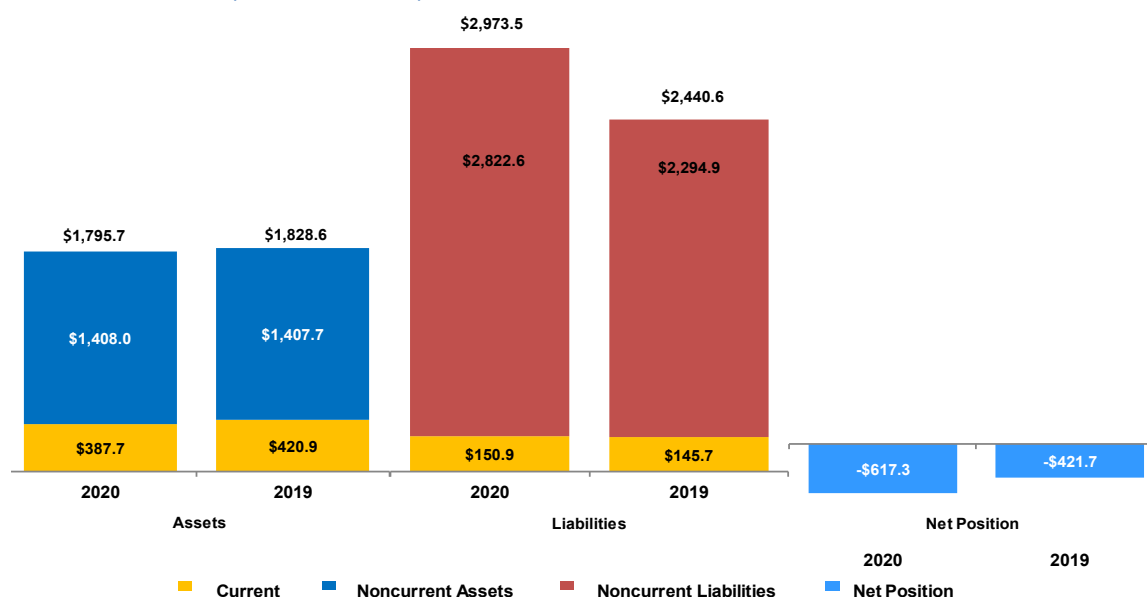
unrestricted net position would be \$118.6 million and 148.5 million, respectively, as of June 30, 2020 and 2019, which is a \$29.9 million decrease year over year. The decrease in unrestricted net position is largely due to room and board refunds that were issued in March 2020 due to the COVID19 pandemic.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

Statements of Net Position

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

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

FINANCIAL POSITION (in millions of dollars)



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

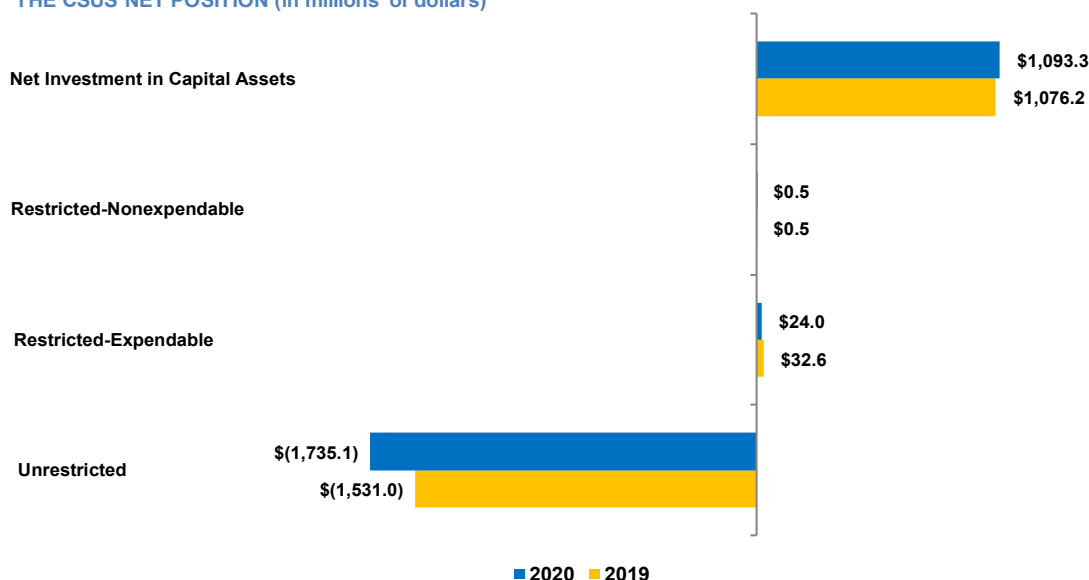
Current liabilities at June 30, 2020 of \$150.9 million increased by \$5.1 million or 3.6% due to an increase in accrued salaries and benefits payable of \$13.0 million offset by a decrease in accounts payable and due to the state which combined total \$9.3 million.

Non-current liabilities at June 30, 2020 of \$2,822.6 million increased by \$539.2 million. This is mainly due to a decrease in bonds payable, net of \$21.2 million offset by an increase in pension liability, net of \$167.4 million and an increase in OPEB, net of \$377.2 million. Pension liabilities represent the System’s proportionate share of the State Employee Retirement System’s (SERS) and the Teachers Retirement System’s (TRS) net pension liability. Other post-employment benefits liability represents the System’s proportionate share of the State’s OPEB liability as a whole.

Deferred inflows and outflows of resources are related to future periods. This is primarily related to the impact of recognizing net pension and net OPEB liabilities and refunding of debt. For pension and OPEB net liabilities they reflect differences between projected and actual assumptions and earnings, changes in actuarial assumptions, changes in proportion and differences between contributions and proportionate share of contributions and employer contributions subsequent to the measurement date. The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources (loss) or deferred inflow of resources (gain).

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

THE CSUS NET POSITION (in millions of dollars)



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

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

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

At fiscal year end June 30, 2020, the System had an investment in plant of \$2,209.0 million, an increase of \$64.3 million or 3.0% over fiscal year end 2019. This increase was primarily due to the increase in buildings and improvements placed in service.

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

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

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

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

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the twenty-fifth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Since we last reported no new Connecticut Health and Educational Facilities Authority (“CHEFA”) bond funds have been issued. Total construction funds allotted from the Connecticut Health and Educational Facilities Authority (“CHEFA”) revenue bond issues A - Q remains as \$644.6 million.

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

Statements of Revenues, Expenses and Changes in Net Position

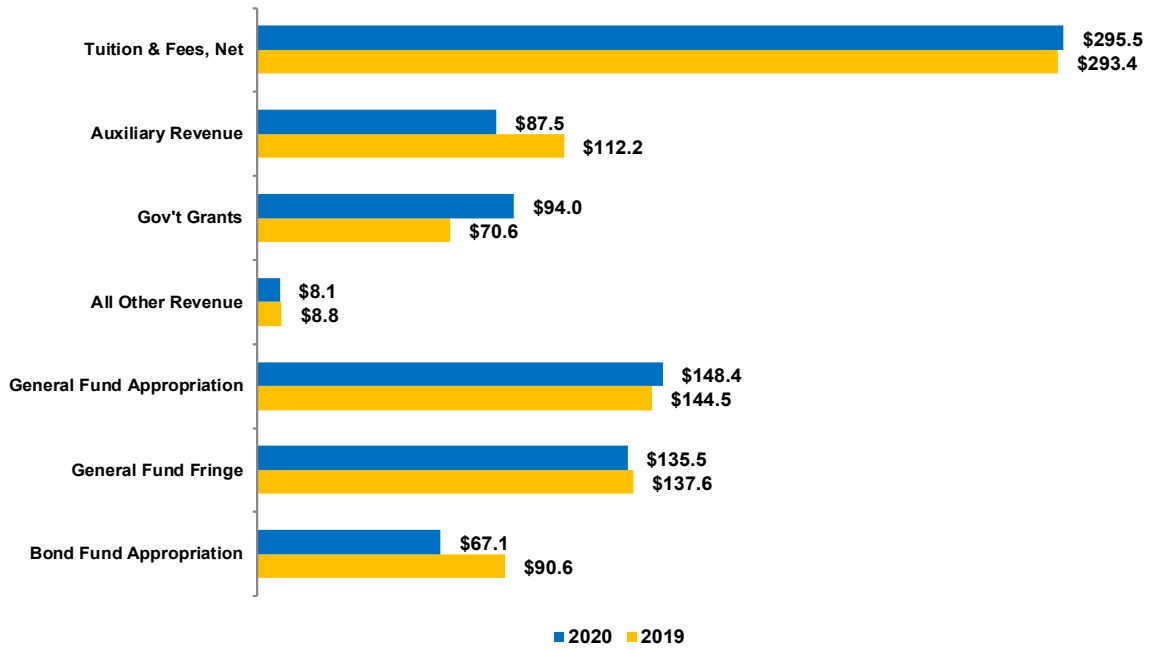
The Statements of Revenues, Expenses and Changes in Net Position present CSUS' results of operations, as well as the non-operating revenues and expenses.

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

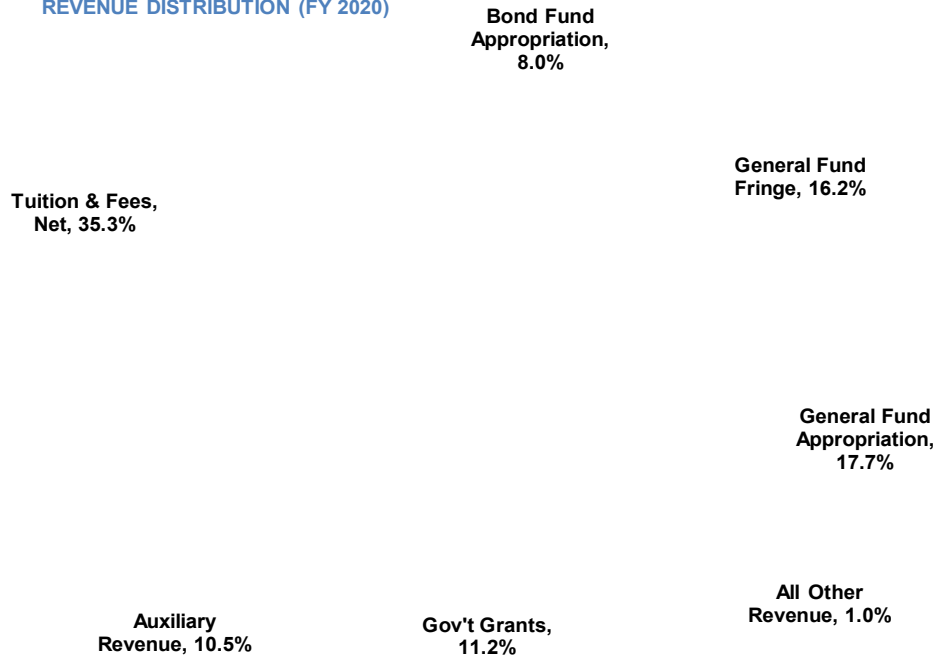
	2020	2019	% Change
OPERATING REVENUES			
Tuition and fees, net	\$ 295.5	\$ 293.4	0.7%
Auxiliary revenues	87.5	112.2	(22.0%)
Grants and indirect cost recoveries	28.0	25.0	11.9%
Other	8.4	7.9	5.8%
Total operating revenues	419.3	438.5	(4.4%)
OPERATING EXPENSES			
Expenses before depreciation and amortization	964.4	830.4	16.1%
Depreciation and amortization	67.1	65.3	2.8%
Total operating expenses	1,031.6	895.8	15.2%
Operating loss	(612.3)	(457.3)	33.9%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund	283.9	282.1	0.6%
State appropriations - bond fund	67.1	90.6	(25.9%)
Pell grant revenue	45.1	45.6	(1.1%)
Federal emergency grant revenue	20.9	-	N/A
Investment income	7.9	11.4	(30.5%)
Other	(8.2)	(10.5)	(21.8%)
Total non-operating revenues (expenses)	416.7	419.2	(0.6%)
NET POSITION			
Change in net position	(195.6)	(38.1)	(413.4%)
Net position, beginning of year	(421.7)	(383.6)	(9.9%)
Net position, end of year	\$ (617.3)	\$ (421.7)	(46.4%)

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

REVENUE SUMMARY (in millions of dollars)



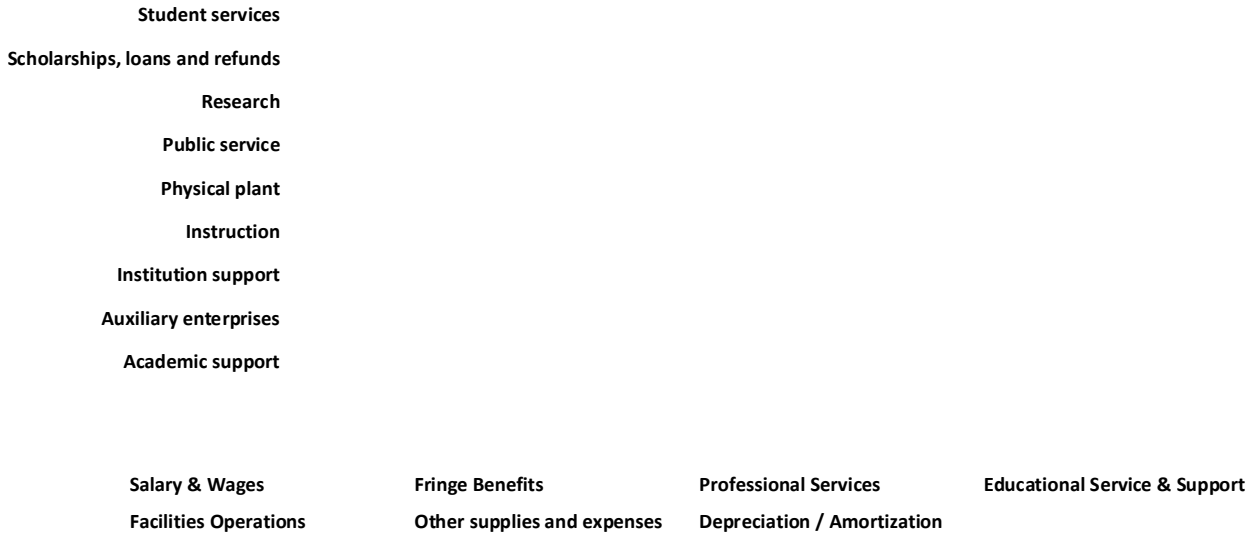
REVENUE DISTRIBUTION (FY 2020)



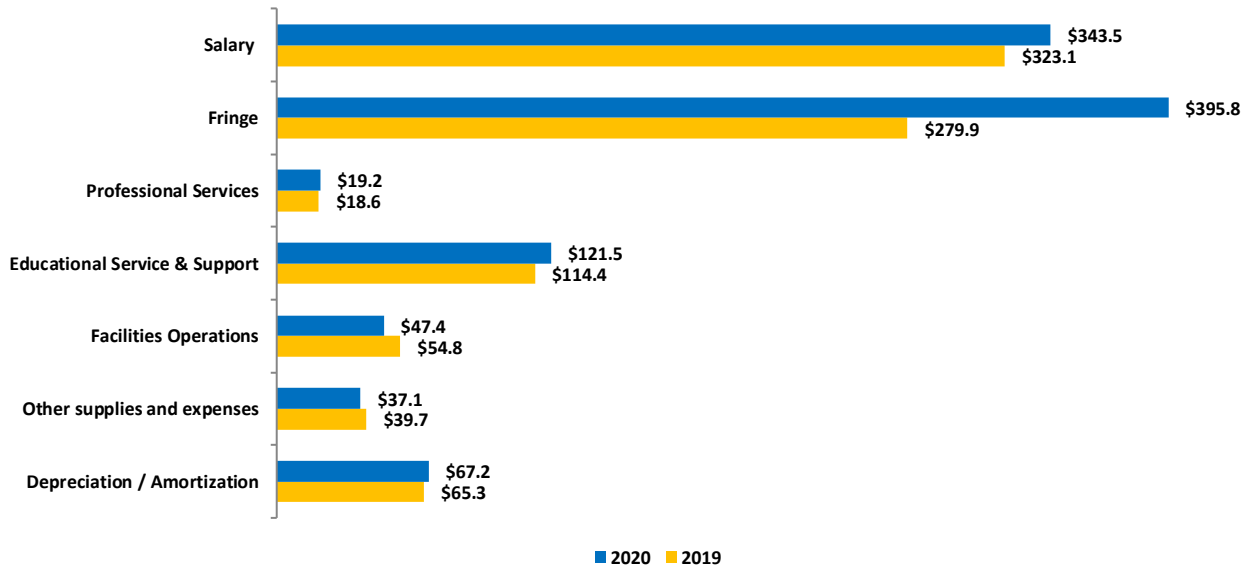
In fiscal 2020, total operating expenses less depreciation and amortization of \$964.4 million increased by \$134.0 million or 16.1% from the prior fiscal year. The primary cause of the increase was related to an increase in fringe benefits due to pension and OPEB liability of \$115.9 million and an increase in salaries and wages of \$20.4 million.

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

EXPENSE (in millions)



EXPENSE BY NATURAL CLASSIFICATION (in millions)



Statements of Cash Flows

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

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

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

Economic Outlook

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

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

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



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

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

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

Additional Information

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

GRANT THORNTON LLP
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The Board of Regents of
Connecticut State Colleges and Universities

Report on the financial statements

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other matters*Required supplementary information*

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

Supplementary information

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

Report on 2019 summarized comparative information

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

Grant Thornton LLP

Boston, Massachusetts
December 22, 2020

Connecticut State University System

Statements of Net Position

June 30, 2020 and 2019

The logo for Connecticut State University (CSCU) consists of the letters "CSCU" in a bold, blue, sans-serif font, enclosed within a blue rectangular border.

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

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

Connecticut State University System

Statements of Net Position

June 30, 2020 and 2019



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

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



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

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

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



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

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

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

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

Connecticut State University System

Statements of Cash Flows

Year Ended June 30, 2020 and 2019



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

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

Connecticut State University System

Statements of Cash Flows

Year Ended June 30, 2020 and 2019

(Continued)



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

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



1. Summary of Significant Accounting Policies

Organization

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

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

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

Basis of Presentation

The financial statements for the CSUS institutions have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Government Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. These financial statements include the statements of CSUS institutions (the System) which includes: Central Connecticut State University (CCSU), Eastern Connecticut State University (ECSU), Southern Connecticut State University (SCSU), Western Connecticut State University (WCSU), and System Office (SO) and their aggregate discretely presented component units (primarily the foundations that support the four universities and the System Office).

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

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

Several legally separate, tax-exempt, affiliated organizations (the "Foundations") must be considered component units of the CSUS and are presented discretely in these financial statements. The Foundations



act primarily as fund-raising organizations to supplement the resources that are available to the Universities in support of their programs. Although the Universities do not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the Universities by the donors. Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the Universities, the Foundations are considered component units of CSUS primary institutions.

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

Net Position

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

- **Net Investment 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. Similar net assets are included in net assets without donor restrictions in the statements of the component units.

- **Restricted Nonexpendable**

Net position subject to externally imposed stipulations that they be maintained in perpetuity by CSUS. Similar net assets are referred to as net assets with donor restrictions in the statements of the component units.

- **Restricted Expendable**

Net position whose use by CSUS is subject to externally imposed stipulations that can be fulfilled by actions of CSUS pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as net assets with donor restrictions in the statements of the component units.

- **Unrestricted**

Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the BOR or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic and research programs and initiatives, and capital programs. Similar net assets are referred to as net assets without donor restrictions in the statements of the component units

Classification of Assets and Liabilities

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



Cash and Cash Equivalents

Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund (“STIF”), state general fund and capital appropriations, and petty cash. The STIF, stated at fair value, is held on behalf of CSUS by the State Treasurer and has original maturities of three months or less (see Notes 2 and 6). CSUS has long-term investments which include debt service reserve funds which are restricted for purposes in accordance with CHEFA regulations. Interest income is recognized on the accrual basis.

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

Fair Value of Financial Instruments

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

Investment in Plant

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

<u>Asset Class Description</u>	<u>Useful Life</u>
Buildings	40 years
Site & Building Improvements	20 years
Technology	5 years
Library Materials	10 years
Vehicles	10 years
Software	5 years
Non-Collectible Artwork	10 years
Other Equipment	10 years

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Division of Construction Services of the State of Connecticut (“DCS”). The cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Colleges and Universities when eligibility requirements are met. There were no such projects recognized at CSUS for the fiscal years ended June 30, 2020 and 2019.

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

Interest Capitalization

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

Accrued Compensated Absences (ACA)

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

Pension & Other Post Employment Obligations

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

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

Unearned Tuition, Fees and Grant Revenues

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

Tuition and Fees Revenue

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

Auxiliary Revenues

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

Operating Activities

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

Income Taxes

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

Use of Estimates

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

GASB Pronouncements Effective For Fiscal Year 2020

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

GASB Pronouncements Effective in Future Fiscal Years

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

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 in accordance with GASB 95, with earlier application encouraged.

In June 2018, GASB released Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 in accordance with GASB 95, with earlier application encouraged.

In May 2019, GASB released Statement No. 91. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 in accordance with GASB 95, with earlier application encouraged.

Subsequent Events

In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2020, through December 22, 2020, the date the financial statements were issued.



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

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

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

2. Cash, Cash Equivalents and Investments

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

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

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rates at June 30, 2020 and 2019 were 0.25% and 2.42% respectively.

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

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

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

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



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

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. 70% and 69% of CSUS total cash, cash equivalents and investments was invested in the STIF and the State’s pooled interest credit program accounts as of June 30, 2020 and 2019 respectively.

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

Investment maturities of CSUS’s debt securities at June 30 (in years) are as follows:

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

GASB No. 72, “Fair Value measurements and Application” sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB No. 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CSUS has the ability to access.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly and include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement. Unobservable inputs are developed based on the best information available in the circumstances and may include the CSUS’s own data.

All of the investments held at June 30, 2020 and 2019 are Level 1. There are no liabilities subject to the fair value provisions of GASB No. 72.



3. Accounts Receivables

Receivables consisted of the following at June 30:

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

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

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



4. Capital Assets

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

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



5. Accrued Compensated Absences

Accrued compensated absences as of June 30 include:

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

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

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

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

6. Related Parties

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

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

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

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



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

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

7. Commitments and Contingencies

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

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

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

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

8. Pension Plans

Plan Description

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



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

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

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

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

Funding Policy

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

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

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



Net Pension Liability

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

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to the CSUS is calculated separately. The net pension liability for the CSUS as of June 30, 2020 for SERS and TRS was \$1,042.3 million and \$32.1 million, respectively. The net pension liability for the CSUS as of June 30, 2019 for SERS and TRS was \$882.4 million and \$24.8 million, respectively.

Actuarial Assumptions for SERS:

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

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

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

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

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



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

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

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

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

Actuarial Assumptions for TRS:

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

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

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



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

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

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

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

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

Discount Rate for SERS:

The discount rate used to measure the total pension liability was 6.9% in the 2019 and 2018 measurement years. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term



expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate for TRS:

The discount rate used to measure the total pension liability was 6.9% and 8.0% in the 2019 and 2018 measurement years, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate

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

	1% Decrease (SERS - 5.9%) (TRS - 5.9%)	Current Discount (SERS - 6.9%) (TRS - 6.9%)	1% Increase (SERS - 7.9%) (TRS - 7.9%)
SERS	\$ 1,244,792,451	\$ 1,042,307,443	\$ 873,402,450
TRS	40,071,419	32,123,860	25,442,342

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

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



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

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

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

9. Other Post-Employment Benefits

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

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

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

Plan Description

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

Funding Policy

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



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

Investments

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

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

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

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

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

Net OPEB Liability

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



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

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

Actuarial Assumptions:

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

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

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

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

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

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



For measurement date of June 30, 2019:

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

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

For measurement date of June 30, 2018:

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

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

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

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

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

10. Unearned Tuition, Fees and Grant Revenue

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

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



11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

	Year ended June 30, 2020									
	Natural Classification									
	Salaries and wages	Fringe benefits	Professional services and fees	Educational services and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	\$ 28,700,045	\$ 32,626,368	\$ 2,064,918	\$ 4,268,682	\$ 1,152,100	\$ 190,629	\$ 2,408,059	\$ -	\$ -	\$ 71,410,801
Auxiliary enterprises	9,746,940	11,801,711	1,192,205	25,476,933	148,326	7,039,262	784,792	-	-	56,190,169
Institution support	43,135,277	50,745,134	6,569,203	1,037,743	518,352	727,223	17,693,432	-	-	120,426,364
Instruction	175,515,508	189,135,871	1,564,582	2,667,995	454,857	1,263,814	1,116,530	-	-	371,719,157
Physical plant	33,266,857	51,202,278	1,696,365	800,076	96,731	37,128,243	6,100,961	67,152,130	37,887	197,481,528
Public service	3,881,654	3,753,188	1,032,332	472,449	382,950	233,021	434,468	-	-	10,190,062
Research	3,274,629	3,152,454	629,780	334,641	319,303	46,815	533,514	-	-	8,291,136
Scholarships, loans and refunds	486,459	173,377	1,256,110	84,238,076	9,048	4,304	140,524	-	-	86,307,898
Student services	45,458,745	53,190,364	3,197,132	2,195,999	1,825,658	769,302	2,977,783	-	-	109,614,983
Total expenses	\$ 343,466,114	\$ 395,780,745	\$ 19,202,627	\$ 121,492,594	\$ 4,907,325	\$ 47,402,613	\$ 32,190,063	\$ 67,152,130	\$ 37,887	\$ 1,031,632,098

	Year ended June 30, 2019									
	Natural Classification									
	Salaries and wages	Fringe benefits	Professional services and fees	Educational services and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	\$ 26,503,931	\$ 22,959,868	\$ 1,673,320	\$ 4,787,896	\$ 1,623,163	\$ 370,626	\$ 3,042,230	\$ -	\$ -	\$ 60,961,034
Auxiliary enterprises	9,391,266	8,723,054	1,535,630	29,913,452	71,423	7,854,823	1,079,585	-	-	58,569,233
Institution support	41,170,236	35,202,076	5,752,805	1,137,450	594,798	681,342	15,954,803	-	-	100,493,510
Instruction	166,007,959	133,392,317	1,855,075	2,548,803	913,581	521,165	1,819,694	-	-	307,058,594
Physical plant	31,485,202	37,995,965	2,153,966	840,793	79,598	43,613,039	6,386,499	65,269,441	55,968	187,880,471
Public service	4,173,240	3,077,914	1,285,968	607,129	641,226	404,635	499,906	-	-	10,690,018
Research	2,821,765	1,954,205	849,949	439,885	530,631	47,508	504,353	-	-	7,148,296
Scholarships, loans and refunds	475,980	80,717	313,651	71,077,034	5,275	675	72,426	-	-	72,025,758
Student services	41,061,228	36,489,557	3,160,077	3,083,566	2,463,279	1,295,142	3,383,836	-	-	90,936,685
Total expenses	\$ 323,090,807	\$ 279,875,673	\$ 18,580,441	\$ 114,436,008	\$ 6,922,974	\$ 54,788,955	\$ 32,743,332	\$ 65,269,441	\$ 55,968	\$ 895,763,599



12. Bonds, Notes Payable and Capital Lease Obligations

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

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

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

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

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

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



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

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

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

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

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

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

Connecticut State University System

Notes to the Financial Statements

June 30, 2020 and 2019



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

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

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>
Bonds payable	\$ 351,690,000	\$ -	\$ (19,520,000)	\$ 332,170,000
Premium on bonds payable	25,584,719	-	(3,070,265)	22,514,454
Discount on bonds payable	(1,524,043)	-	171,565	(1,352,478)
Total bonds payable	<u>\$ 375,750,676</u>	<u>-</u>	<u>\$ (22,418,700)</u>	<u>\$ 353,331,976</u>
	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>
Bonds payable	\$ 318,690,000	\$ 92,105,000	\$ (59,105,000)	\$ 351,690,000
Premium on bonds payable	18,106,568	9,649,661	(2,171,510)	25,584,719
Discount on bonds payable	(2,199,595)	(329,166)	1,004,718	(1,524,043)
Total bonds payable	<u>\$ 334,596,973</u>	<u>101,425,495</u>	<u>\$ (60,271,792)</u>	<u>\$ 375,750,676</u>



13. Deferred Outflows and Inflows of Resources

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

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

Connecticut State University System

Supplemental Financial Information

June 30, 2020 – 2014

	Page
Schedule of Net Pension Liability and Related Ratios (Unaudited)	S-2
Schedule of Contributions (Unaudited)	S-3
Notes to the Required Supplemental Information (Unaudited)	S-4
Combining Statement of Net Position	S-5
Combining Statement of Revenues, Expenses and Changes in Net Position	S-7
Combining Statement of Cash Flows	S-8
Notes to the Supplemental Schedules (Unaudited)	S-9



State Employee Retirement System Plan
 Last 10 Fiscal Years ¹

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

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

Teachers Retirement System Plan
 Last 10 Fiscal Years ¹

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

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

Connecticut State University System

Schedule of Net OPEB Liability and Related Ratios (Unaudited)

June 30, 2020 – 2014



Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years ¹

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
System's proportion of the net OPEB liability	6.47%	5.57%	4.62%	4.73%
System's proportionate share of the net OPEB liability	\$ 1,338,986,646	\$ 967,345,901	\$ 996,032,245	\$ 1,021,241,708
System's covered payroll	\$ 234,304,156	\$ 246,718,621	\$ 251,238,643	\$ 260,590,503
System's proportionate share of the net OPEB liability as a percentage of its covered payroll	571%	392%	396%	392%
Plan Fiduciary net position as a percentage of the total OPEB liability	5.47%	4.69%	3.03%	1.94%

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

Connecticut State University System

Schedule of Contributions (Unaudited)

June 30, 2020 – 2014



State Employee Retirement System Plan

Last 10 Fiscal Years ¹

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

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

Teachers Retirement System Plan

Last 10 Fiscal Years ¹

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

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

Connecticut State University System

Schedule of Contributions (Unaudited)

June 30, 2020 – 2014



Other Post Employment Benefits

Last 10 Fiscal Years ¹

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	48,745,744	44,676,991	38,553,325	36,046,001
Contributions in relation to the contractually required contribution	(48,745,744)	(44,676,991)	(38,553,325)	(36,046,001)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's covered payroll	\$ 234,304,156	\$ 246,718,621	\$ 251,238,643	\$ 260,590,503
Contributions as a percentage of covered payroll	20.80%	18.11%	15.35%	13.83%

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

1. Changes in Benefit Terms

Pension Plans

Changes of benefit terms:

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

Changes of assumptions:

The changes in assumptions are summarized below:

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

State Employee OPEB Plan

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

Connecticut State University System

Supplemental Information – Combining Statements of Net Position

June 30, 2020 and 2019



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



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

Connecticut State University System

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

June 30, 2020 and 2019



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

Connecticut State University System

Supplemental Information – Combining Statements of Revenues, Expenses and Changes in Net Position
June 30, 2020 and 2019



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

Connecticut State University System
 Supplemental Information – Combining Statements of Cash Flows
 June 30, 2020 and 2019



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

Connecticut State University System
 Supplemental Information – Combining Statements of Cash Flows
 June 30, 2020 and 2019



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



Connecticut State University System

Supplemental Information – Combining Statement of Cash Flows

June 30, 2020 and 2019

1. Basis of Presentation of Supplemental Information

The supplementary schedules are presented to provide information from the stand-alone books and records of the universities and system office. The supplementary schedules exclude certain eliminating entries necessary to prepare the consolidated financial statements of CSUS. The supplementary schedules also do not include the impact of the adoption of GASB 68, *Pensions*, or GASB 75, *other post-employment benefits*, on the individual universities as reported in the financial statements of CSUS because the liability has not been allocated to the universities but rather is reflected only at the CSUS system level in the financial statements.