

LEARN

FINANCIAL STATEMENTS
JUNE 30, 2019

**LEARN
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JUNE 30, 2019**

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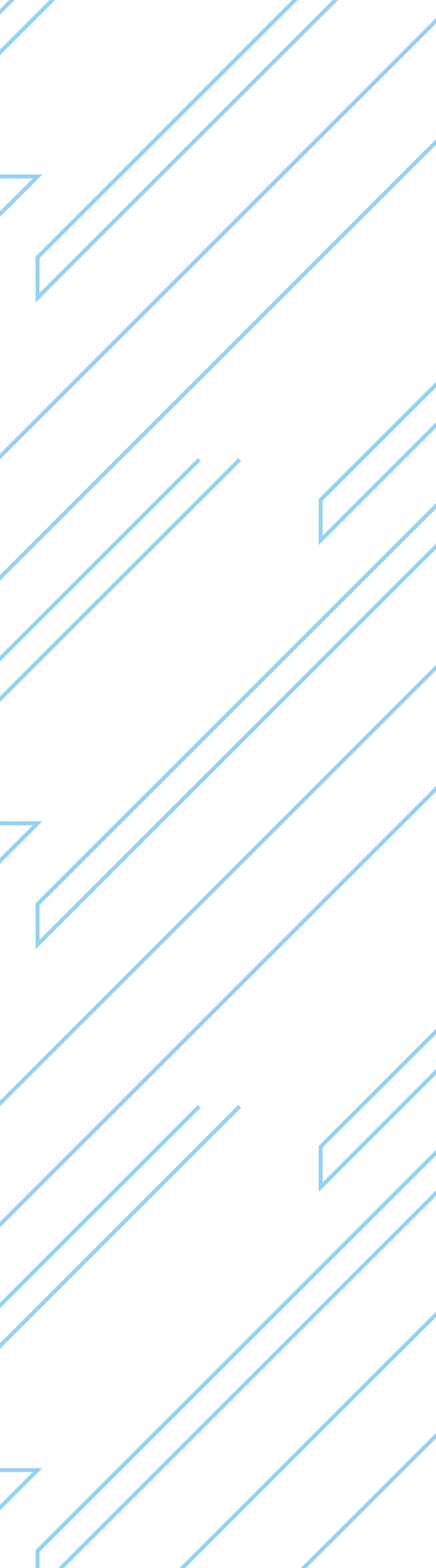


Introductory Section

LEARN

Principal Officials

Office	Name	District
Board of Directors:		
Chairperson	Craig L. Esposito	Stonington
Vice Chairperson	Tim Hagen	East Lyme
Fiscal Officer	Joanne Barmasse	East Hampton
Secretary	Rita Volkmann	Groton
Committee Member	Aaron Daniels	Norwich
Committee Member	Gary Kaisen, Vinny Baglio, Kate Balestacci (alternating)	Guilford
Committee Member	Theresa Ann Myers	Region #4 Chester
Committee Member	Douglas Traynor	Clinton
Committee Member	Imran Munawar	Region #4 Deep River
Committee Member	Karin Blaschik	East Haddam
Committee Member	Carolyn Rotella	Region #4 Essex
Committee Member	Stephanie Calhoun	Ledyard
Committee Member	Emily Rosenthal	Madison
Committee Member	Colleen Rix & Robert Mitchell	Montville
Committee Member	Jefferey Hart	New London
Committee Member	Pamela Potemri	North Stonington
Committee Member	Jan Furman	Old Saybrook
Committee Member	Cindy Luty	Preston
Committee Member	Susanne Sack	Region #17 Haddam & Killingworth
Committee Member	Stacey Leonardo	Region #18 Lyme & Old Lyme
Committee Member	VACANT	Salem
Committee Member	Christopher Jones	Waterford
Committee Member	Dee Adorno	Westbrook
Other Officials:		
Executive Director	Kate Ericson	LEARN



Financial Section

Independent Auditors' Report

To the Board of Directors
LEARN
Old Lyme, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of LEARN as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LEARN'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 governmental activities, each major fund and the aggregate remaining fund information of LEARN as of June 30, 2019 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LEARN's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements of LEARN. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State of Connecticut Single Audit Act and is not a required part of the basic financial statements of LEARN.

The combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 combining and individual nonmajor fund financial statements and schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 on our consideration of LEARN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LEARN's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LEARN's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 25, 2019

LEARN

Management's Discussion and Analysis

June 30, 2019

LEARN is a Connecticut Regional Education Service Center, and was established in 1967 by Section 10-66a of the Connecticut General Statutes. LEARN serves as an educational center facilitator and service provider for local boards of education, their towns and regional boards of education with the purpose of establishing cooperative arrangements to provide special services, educational programs and services. LEARN currently owns and operates five magnet schools for its member towns and serves as an operator only for two magnet schools outside of the LEARN district.

The Board of Directors and LEARN Administration offer constituents and readers of LEARN's financial statements this narrative overview and analysis of the financial activities of LEARN for the fiscal year ended June 30, 2019. This management's discussion and analysis (MD&A) will explain the role of the financial statements and provide analysis on selected financial information.

Financial Highlights

- Unrestricted net position, the amount that may be used to meet LEARN's ongoing obligations to creditors, was \$16,988,701 at June 30, 2019 representing an increase of \$2,104,781 over prior year.
- On a government-wide basis, total revenue exceeded total expenses by \$3,220,027.
- On a government-wide basis, LEARN's assets exceeded its liabilities by \$62,666,465.
- At the close of the fiscal year, LEARN's governmental funds reported a combined ending fund balance of \$18,758,990 which represents a positive change of \$104,282 over the prior year.
- LEARN's five magnet schools received 100% full funding (\$7,900 per student) under the state's magnet inderdistrict grant for fiscal 2019.
- Ocean Ave LEARNing Academy in New London officially opened in January 2019. The construction cost for phase I of this project totaled \$5.1 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to LEARN's basic financial statements. The financial reports are presented in two major formats: government-wide financial statements and fund financial statements. Government-wide financial statements are prepared on a full accrual basis and provide long-term information about LEARN's financial position, while the fund financial statements are prepared on a modified accrual basis and contain information on a short-term basis.

Government-Wide Financial Statements

Government-wide financial statements are statements that present LEARN as a single entity, similar to a private-sector business. All financial activity within LEARN's programs are presented in these statements, which is similar to a private-sector business enterprise. All of LEARN's assets and liabilities are reported along with all of LEARN's expenditures and revenues. Capital assets, related depreciation expense, and long-term debt are included in these statements. The government-wide financial statements reflect all of LEARN's programs, which are supported by governmental activities including programs funded through

Federal, state and foundation grants, contracts, tuition and other governmental agencies in exchange for fees and charges. There are two government-wide financial statements: the statement of net position and the statement of activities.

The statement of net position presents information on all of LEARN's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position serve as a useful indicator of LEARN's financial position.

The statement of activities is used to report the details of the changes in net position. This statement first reports all expenses by function or program activity, then reports program revenues (such as charges for services, operating grants and contributions and capital grants and contributions) as a reduction of the expenses. The result is the net cost of the function or program.

LEARN's activities span a wide scope of offerings in education, health and human services. Magnet school operations and support services for children with disabilities are LEARN's largest programs. LEARN also provides technical assistance, consulting services, staff development programs, technology and transportation services to its member districts.

The government-wide financial statements are presented on Exhibits I and II of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance programs and services in the future. For the year ended June 30, 2019, LEARN's net position was \$62,666,465. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of LEARN's governmental activities.

**TABLE 1
NET POSITION**

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 24,147,559	\$ 24,497,123
Capital assets, net of accumulated depreciation	47,538,855	44,576,398
Total assets	<u>71,686,414</u>	<u>69,073,521</u>
Deferred outflows of resources	<u>50,457</u>	<u>-</u>
Current liabilities	4,536,851	5,236,356
Long-term liabilities	4,504,554	4,359,515
Total liabilities	<u>9,041,405</u>	<u>9,595,871</u>
Deferred inflows of resources	<u>29,001</u>	<u>31,212</u>
Net Position:		
Invested in capital assets, net of related debt	45,677,764	44,562,518
Unrestricted	<u>16,988,701</u>	<u>14,883,920</u>
Total Net Position	<u>\$ 62,666,465</u>	<u>\$ 59,446,438</u>

By far the largest portion of LEARN's net position is its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture, fixtures and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. LEARN uses these capital assets to provide educational services to students; consequently, these assets are not available for future spending. Although LEARN's investment in capital assets, net of accumulated depreciation, is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 2
CHANGE IN NET POSITION

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 20,520,385	\$ 21,012,650
Operating grants and contributions	34,557,886	33,380,217
Capital grants and contributions	2,161,898	-
General revenues:		
Unrestricted investment earnings	117,949	51,541
Total revenues	<u>57,358,118</u>	<u>54,444,408</u>
Expenses:		
Administrative services / development	1,546,376	2,566,610
Early care and education	1,951,806	1,922,845
Partners B-3 / family enhancement services	827,941	909,963
Magnet school programs	34,982,983	33,869,090
Special education services	12,508,335	12,629,232
Professional and career services	588,597	649,342
Instruction and technology services	43,758	-
Transportation	1,558,041	1,267,541
Interest expense	130,254	1,863
Total expenses	<u>54,138,091</u>	<u>53,816,486</u>
Change in net position	3,220,027	627,922
Net position at beginning of year	<u>59,446,438</u>	<u>58,818,516</u>
Net Position at End of Year	<u>\$ 62,666,465</u>	<u>\$ 59,446,438</u>

LEARN's primary sources of revenue are magnet school and special education tuition, and state and federal grants.

Charges for services decreased 2.4% or \$492,265 compared to the prior year. The decrease was caused primarily by a reclassification of food service state reimbursement from charges for services to operating grants and contributions. This was offset by an increase in tuitions due to a higher number of students enrolled in LEARN's student support services programs. Operating grants and contributions increased based on the federal Magnet School Assistance Program (MSAP) grant and state-funded magnet school interdistrict grant. For fiscal year 2019, LEARN's MSAP grant includes a full 12 months of expenditures and reimbursements. For fiscal year 2018, the federal grant was awarded on 10/1/2017 and implementation occurred during the year. Operating grants and contributions also increased by the state-

funded magnet school interdistrict grant, which partially funds LEARN's five magnet schools. This was fully funded for fiscal year 2019, compared to a 5.2% reduction in funding in the prior year. The increase in operating grants and contributions was offset by a decrease in the state OPEB liability which is recorded as a revenue and expense on LEARN's financial statements as an on-behalf payment for teacher related other post-employment benefits. Capital grants and contributions consists of \$2,161,898 is attributable to the Ocean Ave LEARNing Academy capital project state reimbursement funds. A receivable of \$1,479,775 is included in the amount for the current fiscal year.

Total operational expenditures increased \$321,605 or 1%. Administrative services and magnet school programs experienced the largest variance. Magnet school program expenditures increased as a result of the full funding from the state-funded magnet school interdistrict grants as noted above. The additional funding allowed LEARN's magnet school to purchase needed instructional and capital items which had been previously deferred. Average salary increases of 3% and a 10% increase in health insurance costs also increased spending agency-wide. These increases were offset by a decrease in the administrative services and development program primarily due to the reduction of the state OPEB liability described above. In addition, an increase in LEARN's net position in the Eastern Connecticut Health and Medical Cooperative resulted in no charge to current year expenses compared to a \$671,449 charge in the prior year.

Fund Financial Statements

A fund represents a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. LEARN uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These statements present each fund's financial assets, which are assets that can be converted into cash due to their inherent nature, as opposed to capital assets which are used in the operation of a program and not intended to be converted to cash. The liabilities recognized are expected to be used for LEARN's near-term financing needs, such as accounts payable and accrued liabilities. Long-term debt, related debt service and outstanding claims and judgments are reported on fund financial statements when payment for these liabilities becomes due. LEARN's funds are classified into five categories: general fund, special revenue funds, capital projects fund, proprietary fund and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements. As noted earlier, the government-wide financial statements include capital assets, which are not intended to be converted to cash in the near term, and long-term debt, which is not due and payable in the near term; thus, items such as these are not included in the governmental funds' financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

LEARN operates over 100 individual governmental programs accounted for in five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund, and the capital projects fund, all of which are considered major funds. Data from the other nonmajor funds are combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements are presented on Exhibits III and IV of this report.

Financial Analysis of the Government's Funds

Governmental Funds

The focus of LEARN's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing LEARN's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund represents the general operations and normal recurring activities of LEARN, such as administration, facilities management, staff development and certain student programs. General fund revenues are derived from tuition and sale of services.

The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Funds within the special revenue fund are funded by federal and state grants and contracts, as well as some private grants and contracts.

The capital projects fund accounts for the financial resources used for the acquisition and/or construction of major capital facilities. The current balances in the capital project funds represent activity from building projects as well as funds set aside for future building repairs.

Fund Balances

At the end of the current fiscal year, LEARN's governmental funds reported a combined ending fund balance of \$18,758,990, a positive change of \$104,282 from the prior year as shown on Table 3 below. Approximately 94% of the ending fund balance is unassigned fund balance and is therefore available to support on-going operations. Note 9 shows the components of fund balance at year-end.

**TABLE 3
GOVERNMENTAL FUND BALANCES**

	Fiscal Year Ended June 30,		Increase (Decrease)
	2019	2018	
General Fund	\$ 18,271,582	\$ 16,479,944	\$ 1,791,638
Special Revenue Fund	213,345	292,969	(79,624)
Capital Projects Fund	(316,761)	1,456,895	(1,773,656)
Nonmajor Governmental Funds:			
Special Revenue Funds	24,764	23,652	1,112
School Lunch Fund	566,060	401,248	164,812
Total	<u>\$ 18,758,990</u>	<u>\$ 18,654,708</u>	<u>\$ 104,282</u>

The increase in the general fund was primarily the result of surpluses in the student support services programs due to an increase in the number of students served. Additionally, \$2,161,898 received or due from the state of CT for the Ocean Avenue LEARNing Academy construction project was recorded in the general fund.

The decrease in the capital projects fund is a result of the Ocean Avenue LEARNing Academy; expenses for the project were paid out of the capital projects fund while the reimbursement as described above was recorded in the general fund.

Revenues

The governmental funds' total revenues increased 5.4% from fiscal year 2018 to fiscal year 2019 to \$57,358,118. Participation and program fees increased \$251,525 due to an increase in the number of students served in the student support services programs. Intergovernmental revenue increased \$1,235,894 due to state reimbursements on Ocean Ave LEARNing Academy capital project. Other grants, contributions and contracts increased \$1,359,883 due to increases in reimbursements of the East Hartford magnet school contracts as well as an increase in employee cost share for health insurance.

Expenditures

Total governmental fund expenditures for fiscal year 2019 rose 2.3%, compared to the prior year, to \$57,253,836. The primary drivers of the increased spending relate to capital outlay, MSAP, and the full funding of the magnet school interdistrict grants. LEARN spent \$4.4 million on the renovation of the Ocean Avenue LEARNing Academy. MSAP expenditures for purchased professional services increased \$2.1 million. As noted previously, agency wide salaries and benefits increased. This increase was offset by a reduction in the OPEB expense of \$4.1 million and reduction of charge in current year for LEARN's share of the net position in the Eastern Connecticut Health Insurance Consortium of \$671,449.

Proprietary Funds

Internal service funds are used to account for goods or services provided to departments or functions within a government. LEARN uses an internal service fund to allocate worker's compensation and unemployment costs to programs. An internal fund was established in fiscal year 2018 in order to facilitate a predictable allocation of these costs. Proprietary fund activity is excluded from the governmental fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support LEARN's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds include student activity funds and the Eastern CT Health and Medical Cooperative.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found following Exhibits I - VIII.

Capital Assets and Debt Administration

Capital Assets

LEARN's investment in capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2019 is \$47,538,855 - as shown in Table 4. Investment in capital assets includes land, buildings and improvements, vehicles, furniture, fixtures and equipment and construction in progress. There was an increase in capital assets due to increased spending on the renovation of the Ocean Avenue LEARNing Academy.

TABLE 4
CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities	
	2019	2018
Land	\$ 1,116,268	\$ 1,116,268
Construction in progress	274,101	621,400
Buildings and improvements	43,779,187	40,285,166
Furniture and equipment	2,036,281	2,150,366
Vehicles	333,018	403,198
Total	<u>\$ 47,538,855</u>	<u>\$ 44,576,398</u>

Additional information on LEARN's capital assets can be found in Note 5 of this report.

Long-Term Debt

At June 30, 2019, LEARN had a balance of \$4,504,554 in long-term debt as shown in Table 5.

TABLE 5
OUTSTANDING DEBT

	Governmental Activities	
	2019	2018
Note payable	\$ 2,789,080	\$ 3,000,000
Capital leases	-	13,880
Total OPEB liability	1,383,593	1,062,488
Compensated absences	331,881	283,147
Total	<u>\$ 4,504,554</u>	<u>\$ 4,359,515</u>

LEARN's total long-term debt increased 3.3%. No new leases were entered into during the year. The increase in the OPEB obligation was due to a change in assumptions for the current plan year. During the prior fiscal year, LEARN entered into an agreement for a ten-year bank loan in the amount of \$3,000,000 in connection with the purchase and rehabilitation of the Ocean Avenue LEARNing Academy. Additional information on LEARN's long-term debt and obligations can be found in Note 8 in the notes to financial statements.

Connecticut General Statute (C.G.S.) Section 10-66c defines the borrowing authority for Regional Educational Service Centers (RESCs). LEARN was established and organized as a RESC under the provisions of C.G.S. Section 10-66a.-n. The statute does not define any limitations on the level or amount of debt which a RESC may borrow.

Economic Factors

The unemployment rate for New London County as of June 2019 was 3.7%, compared to a rate of 4.3% a year ago. The state's unemployment rate was 3.8% and the national average rate was 3.8% at June 30, 2019. Inflationary trends in the region compare favorably to national indices.

Requests for Information

This financial report is designed to provide a general overview of LEARN's finances for all readers of these statements. Questions concerning any of the information provided in this report or requests for additional information should be addressed to LEARN's Chief Financial Officer, 44 Hatchedts Hill Road, Old Lyme, Connecticut 06371.



Basic Financial Statements

LEARN
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 17,347,824
Receivables:	
Intergovernmental	2,124,821
Participant and program fees	4,639,756
Due from Eastern CT Health and Medical Cooperative	28,808
Other assets	6,350
Total current assets	<u>24,147,559</u>
Noncurrent assets:	
Capital assets, not being depreciated	1,390,369
Capital assets being depreciated, net of depreciation	46,148,486
Total noncurrent assets	<u>47,538,855</u>
Total assets	<u>71,686,414</u>
Deferred Outflows of Resources:	
Deferred outflows related to OPEB	<u>50,457</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued items	1,120,227
Accrued payroll	2,141,425
Due to other governments	54,237
Unearned revenue	1,220,962
Total current liabilities	<u>4,536,851</u>
Noncurrent liabilities:	
Due within one year	268,012
Due in more than one year	4,236,542
Total noncurrent liabilities	<u>4,504,554</u>
Total liabilities	<u>9,041,405</u>
Deferred Inflows of Resources:	
Deferred inflows related to OPEB	<u>29,001</u>
Net Position:	
Net investment in capital assets	45,677,764
Unrestricted	16,988,701
Total Net Position	<u>\$ 62,666,465</u>

The accompanying notes are an integral part of the financial statements

**LEARN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities:					
Administrative services / development	\$ 1,546,376	\$ 1,159,843	\$ 1,279,327	\$ 2,161,898	\$ 3,054,692
Early care and education	1,951,806	192,019	1,665,929		(93,858)
Partners B-3 / family enhancement services	827,941	80	706,114		(121,747)
Magnet school programs	34,982,983	5,057,658	29,673,648		(251,677)
Special education services	12,508,335	12,743,585	664,556		899,806
Professional and career services	588,597	182,379	332,023		(74,195)
Instruction and technology services	43,758		39,816		(3,942)
Transportation	1,558,041	1,184,821	196,473		(176,747)
Interest expense	130,254				(130,254)
Total Governmental Activities	<u>\$ 54,138,091</u>	<u>\$ 20,520,385</u>	<u>\$ 34,557,886</u>	<u>\$ 2,161,898</u>	3,102,078
General Revenues:					
Interest income					<u>117,949</u>
Change in Net Position					3,220,027
Net Position at Beginning of Year					<u>59,446,438</u>
Net Position at End of Year					<u>\$ 62,666,465</u>

The accompanying notes are an integral part of the financial statements

LEARN
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 13,367,830	\$ 3,572,104	\$ 34,515	\$ 373,375	\$ 17,347,824
Receivables:					
Intergovernmental		468,984	1,479,775	176,062	2,124,821
Participant and program fees	3,188,000	1,448,600		3,156	4,639,756
Due from other funds	6,379,294		1,063,034	53,544	7,495,872
Prepaid items	6,350				6,350
Total Assets	\$ 22,941,474	\$ 5,489,688	\$ 2,577,324	\$ 606,137	\$ 31,614,623
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued items	\$ 729,824	\$ 349,459	\$ 40,189	\$ 755	\$ 1,120,227
Accrued payroll	815,091	1,326,334			2,141,425
Due to other funds	1,968,296	3,496,590	2,853,896		8,318,782
Due to other governments		54,237			54,237
Unearned revenue	1,156,681	49,723		14,558	1,220,962
Total liabilities	4,669,892	5,276,343	2,894,085	15,313	12,855,633
Fund Balances:					
Nonspendable	6,350				6,350
Restricted		213,345		590,824	804,169
Assigned	331,881				331,881
Unassigned	17,933,351		(316,761)		17,616,590
Total fund balances	18,271,582	213,345	(316,761)	590,824	18,758,990
Total Liabilities and Fund Balances	\$ 22,941,474	\$ 5,489,688	\$ 2,577,324	\$ 606,137	\$ 31,614,623

The accompanying notes are an integral part of the financial statements

LEARN
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I)
are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 18,758,990
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 70,193,267	
Less accumulated depreciation	<u>(22,654,412)</u>	
Net capital assets		47,538,855

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are not recorded in the funds:

Deferred outflows related to OPEB	50,457
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Internal service funds are used by management to charge the costs of workers
compensation and unemployment services to individual funds. The assets and
liabilities of the internal service funds are reported with the governmental activities
in the statement of net position.

851,718

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds:

Note payable	(2,789,080)
Compensated absences	(331,881)
Total OPEB liability	(1,383,593)
Deferred inflows related to OPEB	<u>(29,001)</u>

Net Position of Governmental Activities (Exhibit I)

\$ 62,666,465

The accompanying notes are an integral part of the financial statements

LEARN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Participation and program fees	\$ 20,217,145	\$ 80	\$	\$ 264,531	\$ 20,481,756
Intergovernmental revenues	2,047,660	20,948,649	2,161,898	968,969	26,127,176
Other grants, contributions and contracts	1,366,141	9,262,855		2,241	10,631,237
Interest income	116,836			1,113	117,949
Total revenues	<u>23,747,782</u>	<u>30,211,584</u>	<u>2,161,898</u>	<u>1,236,854</u>	<u>57,358,118</u>
Expenditures:					
Current:					
Salaries, certified personnel	5,352,514	12,961,921			18,314,435
Salaries, noncertified personnel	5,692,725	3,070,845		541	8,764,111
Employee benefits	4,433,750	5,557,887			9,991,637
Purchased professional services	265,634	3,340,874		54,393	3,660,901
Administrative/management	2,059,800	1,460,620			3,520,420
Public utilities/property services	737,124	1,245,810			1,982,934
Maintenance	254,065	86,917			340,982
Rent	366,152	204,110			570,262
Transportation/travel	202,231	319,513			521,744
Advertising	9,772	19,163			28,935
Other purchased services	256,556	1,484,975		616,739	2,358,270
Insurance	172,599	43,347	649		216,595
Phone, postage and printing	155,130	56,999			212,129
Books and instructional/office supplies	319,948	225,816		3,658	549,422
Food for programs	68,790	1,952		398,827	469,569
Organizational dues	12,743	13,502			26,245
Debt service:					
Principal retirement	224,800				224,800
Interest and other charges	130,254				130,254
Capital outlay	758,373	196,957	4,414,861		5,370,191
Total expenditures	<u>21,472,960</u>	<u>30,291,208</u>	<u>4,415,510</u>	<u>1,074,158</u>	<u>57,253,836</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,274,822</u>	<u>(79,624)</u>	<u>(2,253,612)</u>	<u>162,696</u>	<u>104,282</u>
Other Financing Sources (Uses):					
Transfers in from other funds			479,956	3,228	483,184
Transfers out to other funds	(483,184)				(483,184)
Total other financing sources (uses)	<u>(483,184)</u>	<u>-</u>	<u>479,956</u>	<u>3,228</u>	<u>-</u>
Net Change in Fund Balances	1,791,638	(79,624)	(1,773,656)	165,924	104,282
Fund Balances at Beginning of Year	<u>16,479,944</u>	<u>292,969</u>	<u>1,456,895</u>	<u>424,900</u>	<u>18,654,708</u>
Fund Balances at End of Year	<u>\$ 18,271,582</u>	<u>\$ 213,345</u>	<u>\$ (316,761)</u>	<u>\$ 590,824</u>	<u>\$ 18,758,990</u>

The accompanying notes are an integral part of the financial statements

LEARN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because of the following:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 104,282
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,293,416
Depreciation expense	(2,330,959)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Deferred outflows related to OPEB	50,457
-----------------------------------	--------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the long-term debt and related items are as follows:

Note payable payments	210,920
Capital lease payments	13,880

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in long-term compensated absences	(48,734)
Change in total OPEB liability	(321,105)
Deferred inflows related to OPEB	2,211

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>245,659</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 3,220,027</u>
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The accompanying notes are an integral part of the financial statements

LEARN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Internal Service Fund</u>
ASSETS	
Due from other funds	\$ <u>851,718</u>
NET POSITION	
Net Position: Unrestricted	\$ <u>851,718</u>

The accompanying notes are an integral part of the financial statements

LEARN
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Internal Service Fund</u>
Operating Revenues:	
Charges for services	\$ 730,968
Operating Expenses:	
Benefit payments	<u>485,309</u>
Operating Income	<u>245,659</u>
Change in Net Position	245,659
Net Position at Beginning of Year	<u>606,059</u>
Net Position at End of Year	<u>\$ 851,718</u>

The accompanying notes are an integral part of the financial statements

LEARN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities Internal Service Fund
Cash Flow from Operating Activities:	
Cash received for interfund services provided	\$ 730,968
Cash payment for benefits	(730,968)
Net cash provided by (used in) operating activities	<u>-</u>
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>-</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income	\$ 245,659
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in due to other funds	<u>(245,659)</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>-</u></u>

The accompanying notes are an integral part of the financial statements

LEARN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 1,503,671
Accounts receivable	<u>1,408,378</u>
Total Assets	<u>\$ 2,912,049</u>
LIABILITIES	
Accounts payable	\$ 44,473
Due to other funds	28,808
Deposits held for others	<u>2,838,768</u>
Total Liabilities	<u>\$ 2,912,049</u>

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of LEARN, a Connecticut Regional Educational Service Center (LEARN) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of LEARN are described below.

A. Reporting Entity

LEARN, a Connecticut Regional Educational Service Center (RESC), was organized under the provisions of the Connecticut General Statutes, Section 10-66a, as amended. LEARN operates under a Board of Directors and an Executive Director. LEARN serves as an educational center, facilitator, and service provider for local boards of educations (LEA's), their towns, and regional boards of education with the purpose of establishing cooperative arrangements to provide special services, educational programs and services to enable such boards to carry out the duties specified in the General Statutes.

The financial statements include all funds of LEARN that meet criteria for defining the reporting entity as set forth by governmental accounting principles.

Blended Component Unit

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government.

The LEARN Project, Inc., a nonprofit organization, has been included as a blended component unit in the accompanying financial statements. Its Board of Directors is comprised of LEARN Board members, and its programs mirror those of LEARN. Separate financial statements are not available for the LEARN Project, Inc.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are normally supported by intergovernmental revenues and participant and program fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (generally within 60 days after year end) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Expenditure reimbursement-type grants, certain intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by LEARN.

LEARN reports the following major governmental funds:

The *General Fund* is LEARN's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, typically state and federal grant awards used for educational programs. The types of revenues recorded in this fund are intergovernmental revenues and charges for services.

The *Capital Projects Fund* accounts for revenue and expenditures to be used for major capital assets construction and/or purchases funded by long term debt and other committed sources.

Additionally, LEARN reports the following fund types:

The *Internal Service Fund* is used to account for the financing of goods or services provided by one department to other departments or agencies on a cost-reimbursements basis. The self-insurance fund is LEARN's only internal service fund and is used to account for the workers' compensation and unemployment benefits provided to LEARN's employees.

The *Agency Funds* are used to report the activity of the Eastern CT Health and Medical Cooperative and the student activity funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain LEARN functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

D. Deposits and Investments

LEARN's cash and cash equivalents consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize LEARN to invest in obligations of the U.S Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for LEARN are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by LEARN as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Furniture and equipment	3-10
Vehicles	3-5

H. Compensated Absences

LEARN employees are paid by a prescribed formula for absence due to vacation and sickness. The eligibility for vacation pay does not vest. In the event of death or retirement, teachers hired on or before June 20, 2012 with 15 years of service are compensated for 25% of accumulated sick time, up to a maximum of 150 days at current salary rates.

Sick leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. The liability for the remainder of the vested sick leave, and the nonvested portion expected to be paid in future periods, is accounted for in the government-wide financial statements as a noncurrent liability.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. LEARN reports a deferred outflow of resources related to OPEB in the government-wide statement of net position. A deferred outflow of resources related OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. LEARN reports a deferred inflow of resources related to OPEB in the government-wide statement of net position. A deferred inflow of resources related OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner.

O. Fund Equity

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for noncapital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of LEARN that is not restricted.

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action of the highest level of decision-making authority for LEARN. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Directors.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent can be expressed by the Board of Directors.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

LEARN will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is LEARN’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, LEARN considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

P. Use of Estimates

The preparation of the 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 reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

LEARN receives revenues from members' dues as well as from fees for participation in special programs. Additionally, LEARN receives state and federal grants for general use, as well as special programs. Comparisons of actual data to budget are not presented since LEARN's budget is not legally adopted.

Deficit Fund Balance

As of June 30, 2019, the Capital Projects Fund had a deficit fund balance of \$316,761. This deficit is a result of timing, and it will be eliminated by future transfers.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out of state bank" as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit LEARN to invest in: 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific funds with particular investment authority.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, LEARN'S deposit will not be returned. LEARN does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$19,048,277 of LEARN's bank balance of \$20,004,097 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 17,093,449
Uninsured and collateral held by the pledging bank's trust department, not in LEARN's name	<u>1,954,828</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 19,048,277</u>

Financial instruments that potentially subject LEARN to significant concentrations of credit risk consist primarily of cash. From time to time, LEARN's cash account balances exceed the Federal Deposit Insurance Corporation limit. LEARN reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2019, LEARN's cash equivalents amounted to \$187,622 and consisted of investment in the State Short-Term Investment Fund (STIF). STIF is a fixed income investment pool of high-quality, short-term money market instruments managed by the State of Connecticut Office of the State Treasurer. STIF is rated AAA by Standard & Poor's and has an average maturity of under 60 days.

Interest Rate Risk

LEARN does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

LEARN has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, LEARN will not be able to recover the value of its investment or collateral securities that are in the possession of outside parties. LEARN did not have any investments that were subject to custodial credit risk at June 30, 2019.

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. RECEIVABLES

Receivables as of year-end for LEARN's individual major funds, nonmajor governmental funds and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Intergovernmental	\$	\$ 468,984	\$ 1,479,775	\$ 176,062	\$ 2,124,821
Participant and program fees	3,188,000	1,448,600		3,156	4,639,756
Other				1,408,378	1,408,378
	<u>3,188,000</u>	<u>1,917,584</u>	<u>1,479,775</u>	<u>1,587,596</u>	<u>8,172,955</u>
Total Receivables	\$ <u>3,188,000</u>	\$ <u>1,917,584</u>	\$ <u>1,479,775</u>	\$ <u>1,587,596</u>	\$ <u>8,172,955</u>

All receivables are considered fully collectible.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,116,268	\$	\$	\$ 1,116,268
Construction in progress	621,400	274,101	(621,400)	274,101
Total capital assets not being depreciated	<u>1,737,668</u>	<u>274,101</u>	<u>(621,400)</u>	<u>1,390,369</u>
Capital assets being depreciated:				
Buildings and improvements	55,366,848	4,942,248		60,309,096
Furniture and equipment	7,064,186	646,317	(201,482)	7,509,021
Vehicles	954,084	52,150	(21,453)	984,781
Total capital assets being depreciated	<u>63,385,118</u>	<u>5,640,715</u>	<u>(222,935)</u>	<u>68,802,898</u>
Less accumulated depreciation for:				
Buildings and improvements	15,081,682	1,448,227		16,529,909
Furniture and equipment	4,913,820	760,402	(201,482)	5,472,740
Vehicles	550,886	122,330	(21,453)	651,763
Total accumulated depreciation	<u>20,546,388</u>	<u>2,330,959</u>	<u>(222,935)</u>	<u>22,654,412</u>
Total capital assets being depreciated, net	<u>42,838,730</u>	<u>3,309,756</u>	<u>-</u>	<u>46,148,486</u>
Total Capital Assets, Net of Depreciation	\$ <u>44,576,398</u>	\$ <u>3,583,857</u>	\$ <u>(621,400)</u>	\$ <u>47,538,855</u>

**LEARN
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Depreciation expense for fiscal year 2019 was charged to functions/programs of LEARN as follows:

Governmental Activities:	
Administrative services/development	\$ 266,324
Magnet school programs	1,754,114
Special education services	158,100
Professional and career services	17,256
Instruction and technology services	12,835
Transportation	<u>122,330</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>2,330,959</u></u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund balances as of June 30, 2019 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 3,496,590
	Capital Projects	2,853,896
	Eastern CT Health and Medical Cooperative	28,808
Capital Projects	General Fund	1,063,034
School Lunch	General Fund	53,544
Internal Service Fund	General Fund	<u>851,718</u>
		 \$ <u><u>8,347,590</u></u>

All interfund balances resulted from the time lag between the dates payments occurred between funds for short-term internal financing.

Interfund transfers during the year ended June 30, 2019 were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>		
	<u>Capital Projects</u>	<u>School Lunch Fund</u>	<u>Total Transfers</u>
General Fund	\$ <u>479,956</u>	\$ <u>3,228</u>	\$ <u>483,184</u>
Total	\$ <u><u>479,956</u></u>	\$ <u><u>3,228</u></u>	\$ <u><u>483,184</u></u>

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

7. LEASES

Operating Leases

LEARN’s operating leases consist of classroom space and copiers. Operating lease payments for the year ended June 30, 2019 amounted to \$228,359. The following schedule reflects the annual amounts of operating leases in effect at June 30, 2019:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2020	\$ 67,562
2021	57,176
2022	39,289
2023	16,536
2024	10,070

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Note payable from direct borrowing	\$ 3,000,000	\$	\$ 210,920	\$ 2,789,080	\$ 250,863
Capital leases	13,880		13,880	-	
Total OPEB liability	1,062,488	321,105		1,383,593	
Compensated absences	283,147	74,021	25,287	331,881	17,149
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 4,359,515</u>	<u>\$ 395,126</u>	<u>\$ 250,087</u>	<u>\$ 4,504,554</u>	<u>\$ 268,012</u>

All long-term liabilities are generally liquidated by the General Fund.

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Note Payable from Direct Borrowing

On June 7, 2018, LEARN entered into an agreement with People’s United Bank for a \$3,000,000 promissory note in order to finance capital improvements on the school located on Ocean Avenue. Payments are due in fixed monthly principal payments sufficient to fully amortize the remaining loan over a ten-year period plus interest at 4.73%. The interest rate will be increased by one quarter of one percent (.25%) if an aggregate average balance of at least \$2,000,000 is not maintained in a Demand Deposit Account or \$1,000,000 in a savings account with the lender. LEARN’S outstanding notes from direct borrowings of \$2,789,080 contain a provision that in an event of default, the entire principal with accrued interest due accelerate and become immediately due and payable without demand or notice of any kind. The principal and interest payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 250,863	\$ 128,672	\$ 379,535
2021	263,511	116,024	379,535
2022	276,429	103,106	379,535
2023	289,981	89,554	379,535
2024	303,997	75,538	379,535
2025-2029	<u>1,404,299</u>	<u>144,911</u>	<u>1,549,210</u>
Total	\$ <u>2,789,080</u>	\$ <u>657,805</u>	\$ <u>3,446,885</u>

9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable for:					
Prepaid items	\$ 6,350	\$	\$	\$	\$ 6,350
Restricted for:					
Salaries, certified personnel		213,345		590,824	804,169
Assigned for:					
Compensated absences	331,881				331,881
Unassigned	<u>17,933,351</u>		<u>(316,761)</u>		<u>17,616,590</u>
Total Fund Balance	\$ <u>18,271,582</u>	\$ <u>213,345</u>	\$ <u>(316,761)</u>	\$ <u>590,824</u>	\$ <u>18,758,990</u>

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Connecticut Teachers Retirement System - Pension

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

B. Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

C. Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

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Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, LEARN reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by LEARN as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with LEARN were as follows:

LEARN's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with LEARN		<u>50,104,836</u>
Total	\$	<u><u>50,104,836</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, LEARN has no proportionate share of the net pension liability.

For the year ended June 30, 2019, LEARN recognized pension expense and revenue of \$5,623,382 in Exhibit II.

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

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 increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

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For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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 class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (Non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Cash	6.0%	0.4%
Total	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. 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 contribution rates in the 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.

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

LEARN’s proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

H. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as LEARN has no obligation to contribute to the plan.

11. OTHER POSTEMPLOYMENT BENEFITS

LEARN OPEB

A. Plan Description

LEARN administers one single-employer, post-retirement healthcare plan for OPEB. The plan provides medical and dental benefits to eligible retirees and their spouses. The OPEB plan is administered by LEARN. Plan provisions are determined by union contract and the LEARN Board of Directors.

LEARN currently pays for postemployment health care benefits on a pay-as-you-go basis. As of June 30, 2019, LEARN has not established a trust fund to irrevocably segregate assets to fund liability associated with the postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. Administration costs are financed from current operations.

B. Benefit Provided

LEARN’s plan provides for medical benefits for all eligible retirees. Teachers and Directors age 55 with 20 years of service or any age with 25 years of service may enroll in LEARN’s plan. Certified staff are eligible for benefits until age 65, after which time they must enroll in the State Retirement plan. The Connecticut Teacher’s retirement board contributes \$110 per month for each retiree and their spouse. Teachers pay the remaining premium. Non-Certified Directors pay 100% of the premium. Surviving spouses are covered until age 65.

LEARN offers a fully insured high deductible plan that includes prescription drug coverage.

C. Employees Covered by Benefit Terms

Membership in the plan consisted of the following at June 30, 2018:

Inactive employees currently receiving benefit payments	2
Active employees	175
	<hr/>
Total	177
	<hr/> <hr/>

D. Total OPEB Liability

LEARN’s total OPEB liability of \$1,383,593 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

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E. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	3.50%, average, including inflation
Discount rate	3.5% (Prior: 3.87%)
Healthcare cost trend rates	9.0% for 2017, decreasing 1.0% per year to an ultimate rate of 5.0% for 2021 and later years
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees

The discount rate was based on the published Bond Buyer GO 20-year Bond Municipal Index rate effective as of June 30, 2018.

Mortality rates were based on RPH-2014 Total Dataset mortality table with mortality improvements projected by Scale MP-2017 on a generational basis.

The plan has not had a formal actuarial experience study performed.

F. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of July 1, 2018	\$ <u>1,062,488</u>
Changes for the year:	
Service cost	227,082
Interest on total OPEB liability	49,718
Changes in assumptions or other inputs	54,154
Benefit payments	<u>(9,849)</u>
Net changes	<u>321,105</u>
Balances as of June 30, 2019	\$ <u><u>1,383,593</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.50% in 2019.

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G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of LEARN, as well as what LEARN's total OPEB 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 discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 1,537,449	\$ 1,383,593	\$ 1,240,831

H. Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability of LEARN, as well as what LEARN's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (6.00% Decreasing to 4.00%)	Healthcare Costs Trend Rates (7.00% Decreasing to 5.00%)	1% Increase (8.00% Decreasing to 6.00%)
Total OPEB Liability	\$ 1,127,551	\$ 1,383,593	\$ 1,706,233

I. OPEB Expense and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, LEARN recognized OPEB expense of \$278,286. At June 30, 2019, LEARN reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ <u>50,457</u>	\$ <u>29,001</u>

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	
2020	\$ 1,486
2021	1,486
2022	1,486
2023	1,486
2024	1,486
Thereafter	14,026

Other Post Employment Benefit - Connecticut State Teachers Retirement Plan

J. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post employment benefit plan administered by the Teachers’ Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

K. Benefit Provisions

There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree’s share of the cost of coverage, and any remaining portion is used to offset the district’s cost. The subsidy amount is set by statute and has not increased since July 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost and contributes at least \$220 per month towards coverage under a local school district plan.

Any member who is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

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If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Effective July 1, 2018, the System added a Medicare Advantage Plan option. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage Plan. Retired members who choose to enroll in the Medicare Supplemental Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their health care coverage or elect to not enroll in a CTRB sponsored health care coverage option, must wait two years to re-enroll.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

L. Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of Credited Service.

Disability Retirement

No service requirement if incurred in the performance of duty, and five years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

M. Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan.

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Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

Employees

Each member is required to contribute 1.25% of their annual salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

N. OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, LEARN reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by LEARN as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with LEARN was as follows:

LEARN's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with LEARN		<u>10,016,237</u>
Total	\$	<u><u>10,016,237</u></u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2018. At June 30, 2019, LEARN has no proportionate share of the net OPEB liability.

For the year ended June 30, 2019, LEARN recognized OPEB expense and revenue of \$(3,327,388) in Exhibit II.

O. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	
Pre-Medicare	5.95% decreasing to 4.75% by 2025
Medicare	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

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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) over age 80. For disabled retirees, mortality rates were based on the RPH-2014 Disabled Mortality Table projected to 2020 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.27%).

P. Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

Q. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

LEARN's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

R. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as LEARN has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

12. RISK MANAGEMENT

LEARN is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, natural disasters and protective liability.

LEARN purchases commercial insurance for all risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

As of July 1, 2013, LEARN participates in the Eastern CT Healthcare Cooperative (the Cooperative) to provide medical, prescription and dental health coverage for all employees. The Cooperative was established in June 2013 by several eastern Connecticut entities under the provisions of Connecticut Public Act 10-174 for the purpose of providing one or more health care benefits as allowed by such act for their employees. The Cooperative is a public entity risk pool operating as a common risk management and insurance program for its members. The Cooperative covers approximately 920 participants in its medical plan, 550 participants in its prescription drug plan and approximately 960 participants in the dental plan. The Cooperative is designed to be self-sustaining through actuarially determined premiums established annually to cover expected claims, administration and a margin for unexpected losses or expenses. The Cooperative reinsures for medical, dental and prescription drug claims in excess of \$1,000,000 maximum aggregate benefit. The members are subject to supplemental assessments in the event of deficiencies.



Required Supplementary Information

LEARN
SCHEDULE OF LEARN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST FIVE FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
LEARN's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
LEARN's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	-
State's proportionate share of the net pension liability associated with LEARN	<u>50,104,836</u>	<u>52,143,698</u>	<u>55,012,001</u>	<u>37,255,461</u>	<u>34,435,208</u>
Total	<u>\$ 50,104,836</u>	<u>\$ 52,143,698</u>	<u>\$ 55,012,001</u>	<u>\$ 37,255,461</u>	<u>\$ 34,435,208</u>
LEARN's covered payroll	\$ 18,314,435	\$ 16,537,967	\$ 15,159,321	\$ 15,597,471	\$ 14,274,522
LEARN's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	55.93%	52.26%	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	Beginning January 1, 2018, member contributions increased from 6% to 7% of salary.
Changes of assumptions	During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Single equivalent amortization period	17.6 years
Remaining amortization period	20.4 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.00%, net of investment related expense

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

LEARN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LEARN OPEB
LAST TWO FISCAL YEARS*

	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service costs	\$ 227,082	\$ 232,301
Interest	49,718	38,001
Changes in assumptions and other inputs	54,154	(33,423)
Benefit payments	<u>(9,849)</u>	<u>(7,081)</u>
Net change in total OPEB Liability	321,105	229,798
Total OPEB liability - beginning	<u>1,062,488</u>	<u>832,690</u>
 Total OPEB Liability - Ending	 <u>\$ 1,383,593</u>	 <u>\$ 1,062,488</u>
 Covered-employee payroll	 \$ 2,878,693	 \$ 2,829,268
 Total OPEB liability as a percentage of covered-employee payroll	 48.06%	 37.55%

Notes to Schedule

Assumption changes:

Discount rate 3.50% (Prior: 3.87%)

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

LEARN

**SCHEDULE OF LEARN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT PLAN
LAST TWO FISCAL YEARS***

	<u>2019</u>	<u>2018</u>
LEARN's proportion of the net OPEB liability	0.00%	0.00%
LEARN's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with LEARN	<u>10,016,237</u>	<u>13,421,188</u>
Total	<u>\$ 10,016,237</u>	<u>\$ 13,421,188</u>
LEARN's covered payroll	\$ 18,314,435	\$ 16,537,967
LEARN's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

Notes to Schedule

Changes in benefit terms	Effective July 1, 2018, Medicare Advantage Plan was added to available options, changed the base plan to the Medicare Advantage Plan for the purposes of determining retiree subsidies and/or cost-sharing amounts, and introduced a two-year waiting period for re-enrollment in a System-sponsored Plan for those who cancel their coverage or choose not to enroll after the effective date.
Changes of assumptions	<p>The expected rate of return on assets was changed from 2.75% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments.</p> <p>Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2018 was updated to equal the Municipal Bond Index Rate as of June 30, 2018. The System selected the 3.87% discount rate used to measure the Total OPEB Liability as of the June 30, 2018 measurement date.</p> <p>Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on July 1, 2018.</p> <p>The assumed age-related annual percentage increases in expected annual per capital health care claim costs were updated to better reflect the expected differences between the Medicare Supplement and Medicare Advantage Plan amounts as part of the plan change that became effective on July 1, 2018.</p> <p>Long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods.</p> <p>The percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a System-sponsored health care plan option in the future, was updated to better reflect anticipated plan experience.</p> <p>The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options, as well as the portion who are expected to migrate to the Medicare Advantage Plan over the next several years, were updated to better reflect anticipated plan experience after the plan change that became effective on July 1, 2018.</p> <p>The post-disability mortality table was updated to extend the period of projected mortality improvements from 2017 to 2020. This change was made to better reflect anticipated post-disablement plan experience.</p> <p>The percentages of deferred, vested members who will become ineligible for future health care benefits because they are expected to withdraw their contributions from the System was updated to better reflect anticipated plan experience.</p>
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	4.25%, net of investment-related expense including price inflation

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.



**Supplemental and Combining
Fund Statements and Schedules**



Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

LEARN Project Special Revenue Fund: Accounts for all grants applicable to non-for-profit entities only.

School Lunch Fund: Accounts for revenue and expenditures of the food service operations for LEARN schools.

**LEARN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Funds</u>
	<u>LEARN Project Special Revenue Fund</u>	<u>School Lunch Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 39,322	\$ 334,053	\$ 373,375
Intergovernmental receivables		176,062	176,062
Other receivables		3,156	3,156
Due from other funds		<u>53,544</u>	<u>53,544</u>
Total Assets	<u>\$ 39,322</u>	<u>\$ 566,815</u>	<u>\$ 606,137</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued items	\$	\$ 755	\$ 755
Unearned revenue	<u>14,558</u>		<u>14,558</u>
Total liabilities	<u>14,558</u>	<u>755</u>	<u>15,313</u>
Fund Balances:			
Restricted	<u>24,764</u>	<u>566,060</u>	<u>590,824</u>
Total Liabilities and Fund Balances	<u>\$ 39,322</u>	<u>\$ 566,815</u>	<u>\$ 606,137</u>

**LEARN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Funds</u>
	<u>LEARN Project Special Revenue Fund</u>	<u>School Lunch Fund</u>	
Revenues:			
Participation and program fees	\$	\$ 264,531	\$ 264,531
Intergovernmental fees		968,969	968,969
Other grants, contributions and contracts	2,241		2,241
Interest income	1,113		1,113
Total revenues	<u>3,354</u>	<u>1,233,500</u>	<u>1,236,854</u>
Expenditures:			
Current:			
Salaries, noncertified personnel	541		541
Purchased professional services		54,393	54,393
Other purchased services		616,739	616,739
Books and instructional/office supplies	1,701	1,957	3,658
Food for programs		398,827	398,827
Total expenditures	<u>2,242</u>	<u>1,071,916</u>	<u>1,074,158</u>
Excess of Revenues over Expenditures	1,112	161,584	162,696
Other Financing Sources:			
Transfers in		3,228	3,228
Net Change in Fund Balances	1,112	164,812	165,924
Fund Balances at Beginning of Year	<u>23,652</u>	<u>401,248</u>	<u>424,900</u>
Fund Balances at End of Year	<u>\$ 24,764</u>	<u>\$ 566,060</u>	<u>\$ 590,824</u>



Fiduciary Funds

Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee capacity for others, and include Agency Funds.

Agency Funds

Agency funds are custodial in nature (assets equal liabilities). LEARN's agency funds are used to report the activity of the Eastern CT Health and Medical Cooperative and the student activity funds.

**LEARN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
RMMMS Programs Fund				
Assets:				
Cash and cash equivalents	\$ 26,977	\$ 73,897	\$ 72,361	\$ 28,513
Liabilities:				
Fiduciary deposits	\$ 26,977	\$ 73,897	\$ 72,361	\$ 28,513
RMMS School Fund				
Assets:				
Cash and cash equivalents	\$ 7,965	\$ 111,602	\$ 112,611	\$ 6,956
Liabilities:				
Fiduciary deposits	\$ 7,965	\$ 111,602	\$ 112,611	\$ 6,956
DLAA Activity Fund				
Assets:				
Cash and cash equivalents	\$ 3,019	\$ 13,341	\$ 11,378	\$ 4,982
Liabilities:				
Fiduciary deposits	\$ 3,019	\$ 13,341	\$ 11,378	\$ 4,982
Friendship School Activity Fund				
Assets:				
Cash and cash equivalents	\$ 8,137	\$ 11,078	\$ 12,703	\$ 6,512
Liabilities:				
Fiduciary deposits	\$ 8,137	\$ 11,078	\$ 12,703	\$ 6,512
Marine Science Magnet HS Fund				
Assets:				
Cash and cash equivalents	\$ 93,701	\$ 289,114	\$ 303,320	\$ 79,495
Liabilities:				
Fiduciary deposits	\$ 93,701	\$ 289,114	\$ 303,320	\$ 79,495
Three River Middle College Magnet School				
Assets:				
Cash and cash equivalents	\$ 1,893	\$ 5,408	\$ 6,528	\$ 773
Liabilities:				
Fiduciary deposits	\$ 1,893	\$ 5,408	\$ 6,528	\$ 773

LEARN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Eastern CT Health and Medical Cooperative				
Assets:				
Cash and cash equivalents	\$ 772,214	\$ 41,635,313	\$ 41,031,087	\$ 1,376,440
Accounts receivable	<u>244,683</u>	<u>1,163,695</u>	<u> </u>	<u>1,408,378</u>
Total Assets	<u>\$ 1,016,897</u>	<u>\$ 42,799,008</u>	<u>\$ 41,031,087</u>	<u>\$ 2,784,818</u>
Liabilities:				
Accounts payable	\$ 77,963	\$	\$ 33,490	\$ 44,473
Due to other funds	33,449		4,641	28,808
Fiduciary deposits	<u>905,485</u>	<u>23,712,798</u>	<u>21,906,746</u>	<u>2,711,537</u>
Total Liabilities	<u>\$ 1,016,897</u>	<u>\$ 23,712,798</u>	<u>\$ 21,944,877</u>	<u>\$ 2,784,818</u>
Total				
Assets:				
Cash and cash equivalents	\$ 913,906	\$ 42,139,753	\$ 41,549,988	\$ 1,503,671
Accounts receivable	<u>244,683</u>	<u>1,163,695</u>	<u> </u>	<u>1,408,378</u>
Total Assets	<u>\$ 1,158,589</u>	<u>\$ 43,303,448</u>	<u>\$ 41,549,988</u>	<u>\$ 2,912,049</u>
Liabilities:				
Accounts payable	\$ 77,963	\$	\$ 33,490	\$ 44,473
Due to other funds	33,449		4,641	28,808
Fiduciary deposits	<u>1,047,177</u>	<u>24,217,238</u>	<u>22,425,647</u>	<u>2,838,768</u>
Total Liabilities	<u>\$ 1,158,589</u>	<u>\$ 24,217,238</u>	<u>\$ 22,463,778</u>	<u>\$ 2,912,049</u>



Single Audits

**LEARN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
United States Department of Agriculture				
<i>Passed Through the State of Connecticut Department of Education:</i>				
National School Lunch Program	10.555	12060-SDE64370-20560	\$ 640,287	
School Breakfast Program	10.553	12060-SDE64370-20508	276,307	
Total United States of Department of Agriculture				\$ 916,594
United States Department of Education				
<i>Passed Through the State of Connecticut Office of Early Childhood:</i>				
Special Education Cluster (IDEA): Special Education Preschool Grants	84.173	12060-OEC64855-26226		33,960
Special Education-Grants for Infants and Families	84.181	12060-OEC64855-20513		101,094
<i>Passed Through the State of Connecticut Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2019		385,942
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2018		37,743
				423,685
Career and Technical Education -- Basic Grants to States	84.048	12060-SDE64370-20742-2019	\$ 94,789	101,429
Connecticut's School Climate	84.184	12060-SDE64165-22684		30,000
Education for Homeless Children and Youth	84.196	12060-SDE64370-20770-2019		10,000
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2019		31,050
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2018		28,680
				59,730
English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2019	50,444	57,048
English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2018		47,733
English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2017		9,927
				114,708
Title IV - Student Support	84.424A	12060-SDE64370-22854-2019		24,945
<i>Direct:</i>				
Magnet School Assistance	84.165A		2,691,570	4,109,645
Total United States Department of Education			2,836,803	5,009,196
United States Social Security Administration				
<i>Passed Through the State of Connecticut Department of Rehabilitation Services:</i>				
Disability Insurance/SSI Cluster: Social Security Disability Insurance	96.001	12060-SDR63710-20821		100
Total Federal Awards			\$ 2,836,803	\$ 5,925,890

The accompanying notes are an integral part of this schedule

**LEARN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of LEARN under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of LEARN, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of LEARN.

Basis of Accounting

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. INDIRECT COST RECOVERY

LEARN has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

**LEARN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? X yes _____ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? X yes _____ no

Major programs:

CFDA #	Name of Federal Program or Cluster
84.165A	Magnet School Assistance

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2019-001

Procurement and Suspension and Debarment

Program

All Federal Programs

Criteria

LEARN must comply with procurement standards set out at 2 CFR sections 200.318 through 200.326 within Uniform Guidance.

Condition

LEARN's procurement standards do not include the essential elements as outlined in 2 CFR sections 200.318 through 200.326.

Questioned Costs

None noted.

Context

LEARN was aware of the details surrounding the new procurement standards. However, these details were not implemented in the policy by the effective date of July 1, 2018.

Effect

With the absence of a compliance policy, LEARN is at risk for noncompliance as it relates to federal procurement.

Cause

LEARN was unaware of the details surrounding the new procurement standards.

Recommendation

We recommend that LEARN review its formal procurement policies and make necessary changes to comply with the criteria as set out in 2 CFR sections 200.318 and 200.326.

Views of Responsible Officials and Planned Corrective Actions

Management agrees with this finding. A draft of the policy including the new procurement standards is in process and will be presented to LEARN's Board of Directors for approval by December 31, 2019.

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Members of the Board of Directors
LEARN
Old Lyme, Connecticut

Report on Compliance for Each Major Federal Program

We have audited LEARN's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on LEARN's major federal program for the year ended June 30, 2019. LEARN's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for LEARN's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LEARN's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of LEARN's compliance.

Opinion on Each Major Federal Program

In our opinion, LEARN complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of LEARN is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LEARN's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LEARN's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

LEARN's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. LEARN's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 25, 2019

**LEARN
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Department of Education			
Technical High Schools OE	11000-SDE64332-12602	\$	\$ 300
Talent Development	11000-SDE64370-12552		21,818
Family Resource Centers	11000-SDE64370-16110		100,000
Child Nutrition State Match	11000-SDE64370-16211		11,045
Health Foods Initiative	11000-SDE64370-16212		21,045
Bilingual Education	11000-SDE64370-17042		10,743
School Breakfast Program	11000-SDE64370-17046		20,285
Magnet Schools	11000-SDE64370-17057		13,377,231
Total Department of Education		-	13,562,467
Office of Early Childhood			
Child Care Quality Enhancement	11000-OEC64845-16158	17,226	17,226
<i>Passed Through Eastern Connecticut Regional Educational Service Center:</i>			
Child Care Quality Enhancement	11000-OEC64845-16158		43,525
Early Care and Education	11000-OEC64845-16274	1,446,250	1,519,195
Birth to Three	11000-OEC64855-12192	\$	355,640
Birth to Three Program - Passed through the Department of Social Services			181,759
Total Office of Early Childhood		1,463,476	2,117,345
Department of Social Services			
<i>Passed Through Eastern Connecticut Regional Educational Service Center:</i>			
Teen Pregnancy Prevention	11000-DSS60785-16177		63,681
Total State Financial Assistance Before Exempt Programs		1,463,476	15,743,493
Exempt Programs			
Department of Administrative Services			
School Construction - Principal SDE	13010-DAS27635-40901		2,589,169
Total State Financial Assistance		\$ 1,463,476	\$ 18,332,662

The accompanying notes are an integral part of this schedule

LEARN
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of LEARN under programs of the State of Connecticut for the year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of LEARN, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of LEARN.

Basis of Accounting

The accounting policies of LEARN conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Expenditures reported on the Schedule are presented on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule.

**LEARN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____ yes X no

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education:		
Magnet Schools	11000-SDE64370-17057	\$ 13,377,231
Office of Early Childhood:		
Birth to Three	11000-OEC64855-12192	537,399
Dollar threshold used to distinguish between type A and type B programs:		\$ 314,870

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

Independent Auditors' Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the State Single Audit Act

To the Members of the Board of Directors
LEARN
Old Lyme, Connecticut

Report on Compliance for Each Major State Program

We have audited LEARN's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of LEARN's major state programs for the year ended June 30, 2019. LEARN's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of LEARN's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about LEARN's compliance with those requirements and performing other such procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of LEARN's compliance.

Opinion on Each Major State Program

In our opinion, LEARN complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of LEARN is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LEARN's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LEARN's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 25, 2019

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Members of the Board of Directors
LEARN
Old Lyme, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of LEARN as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise LEARN's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LEARN's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LEARN's internal control. Accordingly, we do not express an opinion on the effectiveness of LEARN's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LEARN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LEARN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LEARN's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 25, 2019