

# LEARN

**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**LEARN  
TABLE OF CONTENTS  
JUNE 30, 2020**

---

<b>Introductory Section</b>		<b>Page</b>
	Principal Officials	i
<hr/> <b>Financial Section</b> <hr/>		
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-11
<hr/> <b>Basic Financial Statements</b> <hr/>		
<b>Exhibit</b>		
	Government-Wide Financial Statements:	
I	Statement of Net Position	12
II	Statement of Activities	13
	Fund Financial Statements:	
	Governmental Funds:	
III	Balance Sheet	14-15
IV	Statement of Revenues, Expenditures and Changes in Fund Balances	16-17
V	Statement of Net Position - Proprietary Funds	18
VI	Statement of Revenues, Expense and Changes in Fund Net Position - Proprietary Funds	19
VII	Statement of Cash Flows - Proprietary Funds	20
	Fiduciary Funds:	
VIII	Statement of Fiduciary Net Position	21
	Notes to the Financial Statements	22-43
<hr/> <b>Required Supplementary Information</b> <hr/>		
	State Teachers' Retirement System:	
RSI-1	Schedule of LEARN's Proportionate Share of the Net Pension Liability - Teachers Retirement Plan	44
	LEARN Other Post-Employment Benefit Plan:	
RSI-2	Schedule of Changes in Total OPEB Liability and Related Ratios	45
	State Teachers' Retirement System:	
RSI-3	Schedule of LEARN's Proportionate Share of the Net OPEB Liability - Teachers Retirement Plan	46

<b>Exhibit</b>	<b>Supplemental and Combining Fund Statements and Schedules</b>	<b>Page</b>
	Nonmajor Governmental Funds:	
A-1	Combining Balance Sheet	47
A-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48
	Agency Funds:	
B-1	Combining Statement of Changes in Assets and Liabilities	49-50
<b>Single Audits</b>		
	Federal Single Audit:	
	Schedule of Expenditures of Federal Awards	51
	Notes to Schedule of Expenditures of Federal Awards	52
	Schedule of Findings and Questioned Costs	53
	Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	54-55
	State Single Audit:	
	Schedule of Expenditures of State Financial Assistance	56
	Notes to Schedule of Expenditures of State Financial Assistance	57
	Schedule of Findings and Questioned Costs	58
	Independent Auditors' Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the State Single Audit Act	59-60
	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 <i>Government Auditing Standards</i>	61-62

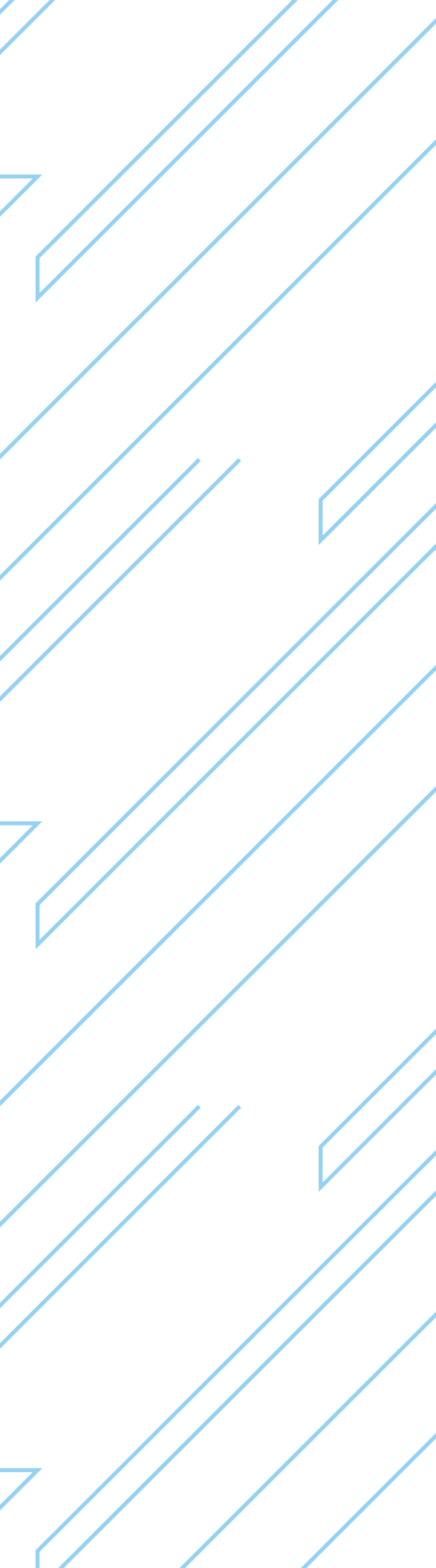


# Introductory Section

# LEARN

## Principal Officials

Office	Name	District
Board of Directors:		
Chairperson	Craig L. Esposito	Stonington
Vice Chairperson	Tim Hagen	East Lyme
Fiscal Officer	Robert Mitchell	Montville
Secretary	Rita Volkmann	Groton
Committee Member	Dale Bernardoni	Region #4 Chester
Committee Member	Michael Hornyak	Clinton
Committee Member	Lenore Grunko	Region #4 Deep River
Committee Member	Patricia Stricker	East Haddam
Committee Member	Amy Ordonez	East Hampton
Committee Member	Carolyn Rotella	Region #4 Essex
Committee Member	Kristen Peck	Guilford
Committee Member	Suzanne Sack, Jennifer Favalora	Region #17 Haddam & Killingworth
Committee Member	Naomi Rodriguez	Ledyard
Committee Member	Diane Linderman	Region #18 Lyme & Old Lyme
Committee Member	Diane Infantine-Vyce	Madison
Committee Member	Jefferey Hart	New London
Committee Member	Phil Mendolia	North Stonington
Committee Member	Aaron Daniels	Norwich
Committee Member	Jan Furman	Old Saybrook
Committee Member	Cindy Luty	Preston
Committee Member	Sean Reith	Salem
Committee Member	Craig Merriman	Waterford
Other Officials:		
Executive Director	Katherine 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, 2020, 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, 2020 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 16, 2020 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 16, 2020

# LEARN

## Management's Discussion and Analysis

June 30, 2020

---

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, 2020. 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 \$18,335,300 at June 30, 2020 representing an increase of \$1,346,599 over prior year.
- On a government-wide basis, total revenue exceeded total expenses by \$596,417.
- On a government-wide basis, LEARN's assets exceeded its liabilities by \$63,262,882.
- At the close of the fiscal year, LEARN's governmental funds reported a combined ending fund balance of \$21,061,923 which represents a positive change of \$2,302,933 over the prior year.
- LEARN's five magnet schools received 100% full funding (\$8,058 per student) under the state's magnet interdistrict grant for fiscal 2020.
- As the COVID-19 pandemic forced us to close all schools in mid-March, LEARN staff continued to provide the necessary ongoing operations remotely. State wide grants provided needed financial assistance as LEARN provided continued on-line learning to all of our students.

### **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, 2020, LEARN's net position was \$63,262,882. 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**

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 26,178,211	\$ 24,147,559
Capital assets, net of accumulated depreciation	45,999,340	47,538,855
Total assets	<u>72,177,551</u>	<u>71,686,414</u>
Deferred outflows of resources	<u>397,763</u>	<u>50,457</u>
Current liabilities	4,261,372	4,536,851
Long-term liabilities	4,977,431	4,504,554
Total liabilities	<u>9,238,803</u>	<u>9,041,405</u>
Deferred inflows of resources	<u>73,629</u>	<u>29,001</u>
Net Position:		
Invested in capital assets, net of related debt	44,927,582	45,677,764
Unrestricted	<u>18,335,300</u>	<u>16,988,701</u>
Total Net Position	<u>\$ 63,262,882</u>	<u>\$ 62,666,465</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**

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Revenues:		
Program revenues:		
Charges for services	\$ 22,167,137	\$ 20,520,385
Operating grants and contributions	37,967,303	34,557,886
Capital grants and contributions	512,598	2,161,898
General revenues:		
Unrestricted investment earnings	186,975	117,949
Total revenues	<u>60,834,013</u>	<u>57,358,118</u>
Expenses:		
Administrative services / development	1,704,154	1,546,376
Early care and education	2,031,420	1,951,806
Partners B-3 / family enhancement services	976,895	827,941
Magnet school programs	38,034,727	34,982,983
Special education services	15,066,430	12,508,335
Professional and career services	864,226	588,597
Instruction and technology services	26,878	43,758
Transportation	1,403,910	1,558,041
Interest expense	128,956	130,254
Total expenses	<u>60,237,596</u>	<u>54,138,091</u>
Change in net position	596,417	3,220,027
Net position at beginning of year	<u>62,666,465</u>	<u>59,446,438</u>
Net Position at End of Year	<u>\$ 63,262,882</u>	<u>\$ 62,666,465</u>

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

Charges for services increased 8.0% or \$1,646,752 compared to the prior year. The increase was caused primarily by a \$1,921,366 increase in tuitions and services due to a higher number of students enrolled in LEARN's student support services programs. Magnet School Program revenues increased by \$291,735; the Early Care and Education programs revenues increased by \$160,358. In the Business Office, important steps were taken toward providing excellent external service to our member districts, securing two external contracts to provide accounting services. One longtime program of LEARN, the LEARN Birth to Three Program ended on June 30, 2020 due to a shift in state funding.

Operating grants and contributions increased by \$3,409,417 based primarily on the state-funded magnet school interdistrict grants and the Federal Magnet School Assistance Program (MSAP) grant. For fiscal years 2019 and 2020, LEARN's MSAP grant includes a full 12 months of expenditures and reimbursements.

Capital grants and contributions for 2020 was \$512,598 attributable to the Ocean Ave LEARNing Academy capital project state reimbursement funds. This amount was significantly reduced as the majority of the program revenue had already been recorded in prior years. The project is nearing completion with close out of the project anticipated in FY 20-21. During the FY 19-20, LEARN received a state project reimbursement check for \$1,992,373, eliminating the \$1,479,775 that was a recorded as a receivable from the State as of 6/30/19.

Total operational expenditures increased \$6,099,505, of which \$2,984,977 is comprised of LEARN increased expenditures. The \$2,984,977 of increased expenditures were primarily in the Magnet School programs and Special Education Services areas. The primary drivers of these increases were higher insurance, higher salaries and new positions added to provide additional services to students. The average salary increases were 3% and health insurance costs increased by 10%. In addition, LEARN is required to recognize pension expense and revenue in the amount of \$3,065,000. LEARN has no proportionate share of this net pension liability.

### **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 non-major funds are combined into a single, aggregated presentation. Individual fund data for each non-major 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 \$21,061,923, a positive change of \$2,302,933 from the prior year as shown on Table 3 below. Approximately 95% 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**

	<b>Fiscal Year Ended June 30,</b>		<b>Increase (Decrease)</b>
	<b>2020</b>	<b>2019</b>	
General Fund	\$ 18,480,955	\$ 18,271,582	\$ 209,373
Special Revenue Fund	88,487	213,345	(124,858)
Capital Projects Fund	1,786,025	(316,761)	2,102,786
Nonmajor Governmental Funds:			
Special Revenue Funds	24,764	24,764	-
School Lunch Fund	681,692	566,060	115,632
<b>Total</b>	<b>\$ 21,061,923</b>	<b>\$ 18,758,990</b>	<b>\$ 2,302,933</b>

The increase in the capital projects fund was due to a reclassification (from the General Fund to the Capital Projects Fund) of the \$1.9 Million land purchase for the Ocean Avenue LEARNing Academy.

### **Revenues**

The Total Governmental Funds revenues increased 2.2% from fiscal year 2019 to fiscal year 2020 to \$58,598,410. Participation and program fees increased \$1,543,010 due to an increase in the number of students served in the student support services programs. Intergovernmental revenue decreased \$447,767 due to lower state reimbursements on Ocean Ave LEARNing Academy capital project.

### **Expenditures**

Total governmental fund expenditures for fiscal year 2020 decreased 1.6%, compared to the prior year, to \$56,336,796. The primary drivers of the decreased spending relate to capital outlay and MSAP. LEARN spent \$4.4 million on the renovation of the Ocean Avenue LEARNing Academy in 2019 which was significantly reduced in the current year due to the nearing completion of the project. MSAP expenditures for purchased professional services decreased \$1.3 million. This decrease was offset by an increase in agency wide salaries, benefits, and State Retirement Expense / OPEB expense.

### **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, 2020 is \$45,999,340 - 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 a decrease in capital assets due to completing the majority of the renovation at Ocean Avenue LEARNing Academy. The Dual Language Magnet School was closed as of June 30, 2020 resulting in a decrease in Buildings and Improvements as well as Furniture and equipment.

**TABLE 4**  
**CAPITAL ASSETS, NET OF DEPRECIATION**

	<b>Governmental Activities</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Land	\$ 1,116,268	\$ 1,116,268
Construction in progress	-	274,101
Buildings and improvements	42,932,675	43,779,187
Furniture and equipment	1,654,499	2,036,281
Vehicles	<u>295,898</u>	<u>333,018</u>
Total	<u>\$ 45,999,340</u>	<u>\$ 47,538,855</u>

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

### **Long-Term Debt**

At June 30, 2020, LEARN had a balance of \$4,977,431 in long-term debt as shown in Table 5.

**TABLE 5**  
**OUTSTANDING DEBT**

	<b>Governmental Activities</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Note payable	\$ 2,538,775	\$ 2,789,080
Capital leases	-	-
Total OPEB liability	2,090,742	1,383,593
Compensated absences	<u>347,914</u>	<u>331,881</u>
Total	<u>\$ 4,977,431</u>	<u>\$ 4,504,554</u>

LEARN's total long-term debt increased 10.5%. 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 2018, 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 2020 was 13.3%, compared to a rate of 3.7% a year ago. The state's unemployment rate was 10.1% and the national average rate was 11.1% at June 30, 2020. COVID-19 has had a material impact on local, state and federal unemployment rates. 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 Hatchetts Hill Road, Old Lyme, Connecticut 06371.



## **Basic Financial Statements**

**LEARN**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 21,703,169
Receivables:	
Intergovernmental	680,047
Participant and program fees	3,727,360
Due from Eastern CT Health and Medical Cooperative	61,284
Other assets	6,351
Total current assets	<u>26,178,211</u>
Noncurrent assets:	
Capital assets, not being depreciated	1,116,268
Capital assets being depreciated, net of depreciation	44,883,072
Total noncurrent assets	<u>45,999,340</u>
Total assets	<u>72,177,551</u>
Deferred Outflows of Resources:	
Deferred outflows related to OPEB	<u>397,763</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued items	956,316
Accrued payroll	2,040,374
Due to other governments	49,555
Unearned revenue	1,215,127
Total current liabilities	<u>4,261,372</u>
Noncurrent liabilities:	
Due within one year	283,774
Due in more than one year	4,693,657
Total noncurrent liabilities	<u>4,977,431</u>
Total liabilities	<u>9,238,803</u>
Deferred Inflows of Resources:	
Deferred inflows related to OPEB	<u>73,629</u>
Net Position:	
Net investment in capital assets	44,927,582
Unrestricted	18,335,300
Total Net Position	<u>\$ 63,262,882</u>

The accompanying notes are an integral part of the financial statements

**LEARN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

<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	\$ 1,704,154	\$ 1,149,666	\$ 1,552,228	\$ 512,598	\$ 1,510,338
Early care and education	2,031,420	352,377	1,822,883		143,840
Partners B-3/family enhancement services	976,895		742,038		(234,857)
Magnet school programs	38,034,727	4,765,923	31,850,054		(1,418,750)
Special education services	15,066,430	14,664,951	1,472,247		1,070,768
Professional and career services	864,226	152,392	194,638		(517,196)
Instruction and technology services	26,878		31,715		4,837
Transportation	1,403,910	1,081,828	301,500		(20,582)
Interest expense	128,956				(128,956)
Total Governmental Activities	<u>\$ 60,237,596</u>	<u>\$ 22,167,137</u>	<u>\$ 37,967,303</u>	<u>\$ 512,598</u>	409,442
General Revenues:					
Interest income					<u>186,975</u>
Change in Net Position					596,417
Net Position at Beginning of Year					<u>62,666,465</u>
Net Position at End of Year					<u>\$ 63,262,882</u>

The accompanying notes are an integral part of the financial statements

**LEARN  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,601,251	\$ 7,517,777	\$ 34,515	\$ 549,626	\$ 21,703,169
Receivables:					
Intergovernmental		676,019		4,028	680,047
Participant and program fees	2,270,012	1,454,246		3,102	3,727,360
Due from other funds	7,663,544		1,751,510	199,282	9,614,336
Prepaid items	6,351				6,351
<b>Total Assets</b>	<b>\$ 23,541,158</b>	<b>\$ 9,648,042</b>	<b>\$ 1,786,025</b>	<b>\$ 756,038</b>	<b>\$ 35,731,263</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued items	\$ 343,973	\$ 582,481		\$ 29,862	\$ 956,316
Accrued payroll	750,995	1,289,379			2,040,374
Due to other funds	2,805,708	7,602,260			10,407,968
Due to other governments		49,555			49,555
Unearned revenue	1,159,527	35,880		19,720	1,215,127
<b>Total liabilities</b>	<b>5,060,203</b>	<b>9,559,555</b>	<b>-</b>	<b>49,582</b>	<b>14,669,340</b>
<b>Fund Balances:</b>					
Nonspendable	6,351				6,351
Restricted		88,487		706,456	794,943
Committed			1,786,025		1,786,025
Assigned	347,914				347,914
Unassigned	18,126,690				18,126,690
<b>Total fund balances</b>	<b>18,480,955</b>	<b>88,487</b>	<b>1,786,025</b>	<b>706,456</b>	<b>21,061,923</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,541,158</b>	<b>\$ 9,648,042</b>	<b>\$ 1,786,025</b>	<b>\$ 756,038</b>	<b>\$ 35,731,263</b>

The accompanying notes are an integral part of the financial statements

**LEARN**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2020**

---

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)	\$ 21,061,923
--	---------------

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 70,682,676	
Less accumulated depreciation	(24,683,336)	
Net capital assets		45,999,340

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	397,763
-----------------------------------	---------

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.

854,916
---------

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

Note payable	(2,538,775)
Compensated absences	(347,914)
Total OPEB liability	(2,090,742)
Deferred inflows related to OPEB	(73,629)

Net Position of Governmental Activities (Exhibit I)	\$ <u>63,262,882</u>
---	----------------------

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, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Participation and program fees	\$ 21,827,984	\$	\$	\$ 196,782	\$ 22,024,766
Intergovernmental revenues	2,935,064	21,521,124	512,598	710,623	25,679,409
Other grants, contributions and contracts	1,551,800	9,152,908		2,552	10,707,260
Interest income	186,975				186,975
Total revenues	<u>26,501,823</u>	<u>30,674,032</u>	<u>512,598</u>	<u>909,957</u>	<u>58,598,410</u>
Expenditures:					
Current:					
Salaries, certified personnel	5,926,715	13,084,846			19,011,561
Salaries, noncertified personnel	5,935,821	2,866,715		492	8,803,028
Employee benefits	6,215,561	7,766,329		46	13,981,936
Purchased professional services	229,514	2,047,192		34,309	2,311,015
Administrative/management	2,242,729	1,605,780			3,848,509
Public utilities/property services	1,180,349	792,690			1,973,039
Maintenance	257,421	60,335			317,756
Rent	277,007	184,019			461,026
Transportation/travel	147,619	335,283		128	483,030
Advertising	7,989	18,462			26,451
Other purchased services	262,574	1,637,693		389,989	2,290,256
Insurance	159,858	44,730			204,588
Phone, postage and printing	178,153	43,937		4,967	227,057
Books and instructional/office supplies	125,291	187,257		1,243	313,791
Food for programs	39,168	1,624		335,548	376,340
Organizational dues	13,323	9,005			22,328
Debt service:					
Principal retirement	291,626				291,626
Interest and other charges	128,956				128,956
Capital outlay	442,697	112,993	678,804	30,011	1,264,505
Total expenditures	<u>24,062,371</u>	<u>30,798,890</u>	<u>678,804</u>	<u>796,733</u>	<u>56,336,798</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,439,452</u>	<u>(124,858)</u>	<u>(166,206)</u>	<u>113,224</u>	<u>2,261,612</u>
Other Financing Sources (Uses):					
Issuance of note payable	41,321				41,321
Transfers in from other funds			2,268,992	2,408	2,271,400
Transfers out to other funds	(2,271,400)				(2,271,400)
Total other financing sources (uses)	<u>(2,230,079)</u>	<u>-</u>	<u>2,268,992</u>	<u>2,408</u>	<u>41,321</u>
Net Change in Fund Balances	209,373	(124,858)	2,102,786	115,632	2,302,933
Fund Balances at Beginning of Year	<u>18,271,582</u>	<u>213,345</u>	<u>(316,761)</u>	<u>590,824</u>	<u>18,758,990</u>
Fund Balances at End of Year	<u>\$ 18,480,955</u>	<u>\$ 88,487</u>	<u>\$ 1,786,025</u>	<u>\$ 706,456</u>	<u>\$ 21,061,923</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, 2020**

---

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)	\$ 2,302,933
---	--------------

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	767,006
Depreciation expense	(2,282,492)
Loss on disposition of capital assets	(24,029)

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	347,306
-----------------------------------	---------

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:

Issuance of note payable	(41,321)
Note payable payments	291,626

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	(16,033)
Change in total OPEB liability	(707,149)
Deferred inflows related to OPEB	(44,628)

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>3,198</u>
--	--------------

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 596,417</u>
--	-------------------

The accompanying notes are an integral part of the financial statements



**LEARN**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2020**

---

	<b><u>Internal Service Fund</u></b>
ASSETS	
Due from other funds	\$ <u>854,916</u>
NET POSITION	
Net Position: Unrestricted	\$ <u>854,916</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, 2020**

---

	<u>Internal Service Fund</u>
Operating Revenues:	
Charges for services	\$ 646,101
Operating Expenses:	
Benefit payments	<u>642,903</u>
Operating Income	<u>3,198</u>
Change in Net Position	3,198
Net Position at Beginning of Year	<u>851,718</u>
Net Position at End of Year	<u>\$ 854,916</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, 2020**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
Cash Flow from Operating Activities:	
Cash received for interfund services provided	\$ 646,101
Cash payment for benefits	(646,101)
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>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income	\$ 3,198
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>(3,198)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**LEARN**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

---

	<b>Agency Funds</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,239,509
Accounts receivable	176,146
	<u>                    </u>
Total Assets	<u>\$ 5,415,655</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 9,671
Due to other funds	61,284
Deposits held for others	5,344,700
	<u>                    </u>
Total Liabilities	<u>\$ 5,415,655</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, 2020**

---

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**

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.

**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.

## **J. 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.

## **K. 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.



## **L. 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.

### **M. Accounting 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.

### **N. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 16, 2020.

## **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.

## **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, 2020**

---

**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*, \$24,626,642 of LEARN's bank balance of \$25,904,160 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 22,038,978
Uninsured and collateral held by the pledging bank's trust department, not in LEARN's name	<u>2,587,664</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 24,626,642</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, 2020, LEARN's cash equivalents amounted to \$690,513 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, 2020.

**LEARN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$	\$ 676,019	\$ 4,028	\$ 680,047
Participant and program fees	2,270,012	1,454,246	3,102	3,727,360
Other			176,146	176,146
Total Receivables	<u>\$ 2,270,012</u>	<u>\$ 2,130,265</u>	<u>\$ 183,276</u>	<u>\$ 4,583,553</u>

All receivables are considered fully collectible.

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases and Transfers</u>	<u>Decreases and Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,116,268	\$	\$	\$ 1,116,268
Construction in progress	274,101		(274,101)	-
Total capital assets not being depreciated	<u>1,390,369</u>	<u>-</u>	<u>(274,101)</u>	<u>1,116,268</u>
Capital assets being depreciated:				
Buildings and improvements	60,309,096	673,578	(21,886)	60,960,788
Furniture and equipment	7,509,021	298,923	(85,504)	7,722,440
Vehicles	984,781	68,606	(170,207)	883,180
Total capital assets being depreciated	<u>68,802,898</u>	<u>1,041,107</u>	<u>(277,597)</u>	<u>69,566,408</u>
Less accumulated depreciation for:				
Buildings and improvements	16,529,909	1,520,090	(21,886)	18,028,113
Furniture and equipment	5,472,740	656,676	(61,475)	6,067,941
Vehicles	651,763	105,726	(170,207)	587,282
Total accumulated depreciation	<u>22,654,412</u>	<u>2,282,492</u>	<u>(253,568)</u>	<u>24,683,336</u>
Total capital assets being depreciated, net	<u>46,148,486</u>	<u>(1,241,385)</u>	<u>(24,029)</u>	<u>44,883,072</u>
Total Capital Assets, Net of Depreciation	<u>\$ 47,538,855</u>	<u>\$ (1,241,385)</u>	<u>\$ (298,130)</u>	<u>\$ 45,999,340</u>

**LEARN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

---

Depreciation expense for fiscal year 2020 was charged to functions/programs of LEARN as follows:

Governmental Activities:	
Administrative services/development	\$ 208,632
Magnet school programs	1,721,573
Special education services	225,846
Professional and career services	18,391
Instruction and technology services	11,485
Transportation	<u>96,565</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>2,282,492</u></u>

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of interfund balances as of June 30, 2020 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 7,602,260
	Eastern CT Health and Medical Cooperative	61,284
Capital Projects Fund	General Fund	1,751,510
School Lunch Fund	General Fund	199,140
LEARN Project Special Revenue Fund	General Fund	142
Internal Service Fund	General Fund	<u>854,916</u>
		<u>\$ 10,469,252</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, 2020 were as follows:

	<u>Transfers In</u>		<u>Total</u>
	<u>Capital Projects</u>	<u>School Lunch Fund</u>	<u>Transfers Out</u>
Transfers Out:			
General Fund	\$ <u>2,268,992</u>	\$ <u>2,408</u>	\$ <u>2,271,400</u>

**LEARN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

---

**7. LEASES**

**Operating Leases**

LEARN's operating leases consist of classroom space and copiers. Operating lease payments for the year ended June 30, 2020 amounted to \$169,020. The following schedule reflects the annual amounts of operating leases in effect at June 30, 2020:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2021	\$ 110,679
2022	52,062
2023	18,876
2024	12,410
2025	4,914

**8. LONG-TERM DEBT**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2020 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	\$ 2,789,080	\$ 41,321	\$ 291,626	\$ 2,538,775	\$ 263,511
Total OPEB liability	1,383,593	707,149		2,090,742	
Compensated absences	<u>331,881</u>	<u>46,636</u>	<u>30,603</u>	<u>347,914</u>	<u>20,263</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 4,504,554</u>	<u>\$ 795,106</u>	<u>\$ 322,229</u>	<u>\$ 4,977,431</u>	<u>\$ 283,774</u>

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

**LEARN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 \$2,538,775 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>
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	319,101	60,434	379,535
2026-2030	<u>1,085,756</u>	<u>84,477</u>	<u>1,170,233</u>
Total	<u>\$ 2,538,775</u>	<u>\$ 529,133</u>	<u>\$ 3,067,908</u>

**9. FUND BALANCE**

The components of fund balance for the governmental funds at June 30, 2020 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	\$ 6,351	\$	\$	\$	\$ 6,351
Restricted for:					
Salaries, certified personnel		88,487		706,456	794,943
Committed to:					
School based capital projects			1,786,025		1,786,025
Compensated absences	347,914				347,914
Unassigned	<u>18,126,690</u>				<u>18,126,690</u>
Total Fund Balance	<u>\$ 18,480,955</u>	<u>\$ 88,487</u>	<u>\$ 1,786,025</u>	<u>\$ 706,456</u>	<u>\$ 21,061,923</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](http://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.



**LEARN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

---

For the year ended June 30, 2020, the amount of “on-behalf” contributions made by the State was \$4,918,785. This is recognized in the General Fund and Special Revenue as intergovernmental revenues and education expenditures of \$1,533,395 and \$3,385,390, respectively.

*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, 2020, 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>64,981,980</u>
Total	\$	<u><u>64,981,980</u></u>

The net pension liability was measured as of June 30, 2019, 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, 2020, LEARN has no proportionate share of the net pension liability.

For the year ended June 30, 2020, LEARN recognized pension expense and revenue of \$7,980,887 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	2.50%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	6.90%, 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.

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.

**LEARN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

---

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 current capital market assumptions and the target asset allocation as provided by the State of Connecticut Treasurer's Office are summarized in the following table:

<u>Asset Class</u>	<u>Expected Return</u>		<u>Target Allocation</u>		<u>Standard Deviation</u>	
Public Equity - US Equity	8.10	%	20.00	%	17.00	%
Public Equity - International Developed Equity	8.50		11.00		19.00	
Public Equity - Emerging Markets Equity	10.40		9.00		24.00	
Fixed Income - Core Fixed Income	4.60		16.00		7.00	
Fixed Income - Inflation Linked Bonds	3.60		5.00		7.00	
Fixed Income - High Yield	6.50		6.00		11.00	
Fixed Income - Emerging Market Debt	5.20		5.00		11.00	
Private Equity	9.80		10.00		23.00	
Real Estate	7.00		10.00		15.00	
Alternative Investments - Real Assets	8.20		4.00		17.00	
Alternative Investments - Hedge Funds	5.40		3.00		7.00	
Liquidity Fund	2.90		1.00		1.00	
Total			<u>100.00</u>	%		

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. 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, 2020, 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.

**LEARN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

---

**C. Employees Covered by Benefit Terms**

Membership in the plan consisted of the following at June 30, 2019:

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

**D. Total OPEB Liability**

LEARN's total OPEB liability of \$2,090,742 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

**E. Actuarial Assumptions and Other Inputs**

The total OPEB liability as of July 1, 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	2.21% (Prior: 3.50%)
Healthcare cost trend rates	8.0% in 2019, decreasing 0.5% per year to an ultimate rate of 5.0% in 2025. (Prior: 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, 2020.

Mortality rates were based on RPH-2014 Total Dataset mortality table with mortality improvements projected by Scale MP-2019.

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

**LEARN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

---

**F. Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balances as of July 1, 2019	\$ <u>1,383,593</u>
Changes for the year:	
Service cost	325,884
Interest on total OPEB liability	61,592
Difference between expected and actual experience	(49,968)
Changes in assumptions or other inputs	374,451
Benefit payments	<u>(4,810)</u>
Net changes	<u>707,149</u>
Balances as of June 30, 2020	\$ <u><u>2,090,742</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 2.21% in 2020.

**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:

	<b>1% Decrease (1.21%)</b>	<b>Current Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB Liability	\$ 2,027,539	\$ 2,090,742	\$ 1,625,838

**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:

	<b>1% Decrease (6.50% Decreasing to 4.00%)</b>	<b>Healthcare Costs Trend Rates (7.50% Decreasing to 5.00%)</b>	<b>1% Increase (8.50% Decreasing to 6.00%)</b>
Total OPEB Liability	\$ 1,704,779	\$ 2,090,742	\$ 2,576,839

**LEARN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

---

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

For the year ended June 30, 2020, LEARN recognized OPEB expense of \$409,281. At June 30, 2020, LEARN reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ <u>397,763</u>	\$ <u>73,629</u>

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>	
2021	\$ 21,805
2022	21,805
2023	21,805
2024	21,805
2025	21,805
Thereafter	215,109

**Other Post Employment Benefit - Connecticut State Teachers Retirement Plan**

**A. 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](http://www.ct.gov/trb).

**B. 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.

**LEARN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

---

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.

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.

**C. 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.

**LEARN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

---

**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.

**D. 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. 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.

For the year ended June 30, 2020, the amount of "on-behalf" contributions made by the State was \$134,434. This is recognized in the General Fund and Special Revenue Fund as intergovernmental revenues and education expenditures of \$41,909 and \$92,525, respectively.

*Employees/Retirees*

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one-third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one-third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

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

At June 30, 2020, 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>10,134,296</u>
Total	\$	<u><u>10,134,296</u></u>



**LEARN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

---

The net OPEB liability was measured as of June 30, 2019, 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, 2020, LEARN has no proportionate share of the net OPEB liability.

For the year ended June 30, 2020, LEARN recognized OPEB expense and revenue of (\$741,593) in Exhibit II.

**F. 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	2.50%
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

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.

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 (0.41%).

**G. Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50%. 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.

**H. 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.

**I. 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](http://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 815 participants in its medical plan, 75 participants in its prescription drug plan and approximately 860 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.

**13. CORONAVIRUS (COVID-19)**

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. On March 10, 2020, the Governor of the State of Connecticut declared a public health emergency and a civil preparedness emergency due to COVID-19. LEARN derives a significant portion of its revenues from participant fees and state and federal assistance. To date, the effects of the coronavirus have not been severe. However, the situation creates uncertainty about the impact of future revenues that might be generated. In addition, at this time, it is uncertain what the effects of the pandemic will be on LEARN's health care costs, changes in interest rates and future federal or state fiscal relief.



## Required Supplementary Information

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

	<u>2020</u>	<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%	0.00%
LEARN's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	-
State's proportionate share of the net pension liability associated with LEARN	<u>64,981,980</u>	<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>\$ 64,981,980</u>	<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	\$ 19,011,561	\$ 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%	0%
Plan fiduciary net position as a percentage of the total pension liability	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

**Notes to Schedule**

Changes in benefit terms                    HB 7424 made the following provision changes:  
 - Beginning July 1, 2019, annual interest credited on mandatory contributions set at 4.0%.  
 - For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of benefit commencement, the difference is paid to the Member's beneficiary.

Changes of assumptions                    HB 7424 made the following assumption changes:  
 - Reduce the inflation assumption from 2.75% to 2.50%.  
 - Reduce the real rate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%.  
 - Increase the annual rate of wage increase assumption from 0.50% to 0.75%.  
 - Phase in to a level dollar amortization method for the June 30, 2024 valuation.

Actuarial cost method                    Entry age  
 Amortization method                    Level percent of pay, closed  
 Single equivalent amortization period    17.6 years  
 Asset valuation method                    4-year smoothed market  
 Inflation                                    2.75%  
 Salary increase                            3.25%-6.50%, including inflation  
 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 THREE FISCAL YEARS\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service costs	\$ 325,884	\$ 227,082	\$ 232,301
Interest	61,592	49,718	38,001
Difference between expected and actual experience	(49,968)	-	-
Changes in assumptions and other inputs	374,451	54,154	(33,423)
Benefit payments	<u>(4,810)</u>	<u>(9,849)</u>	<u>(7,081)</u>
Net change in total OPEB Liability	707,149	321,105	229,798
Total OPEB liability - beginning	<u>1,383,593</u>	<u>1,062,488</u>	<u>832,690</u>
 Total OPEB Liability - Ending	 <u>\$ 2,090,742</u>	 <u>\$ 1,383,593</u>	 <u>\$ 1,062,488</u>
 Covered-employee payroll	 \$ 3,328,284	 \$ 2,878,693	 \$ 2,829,268
 Total OPEB liability as a percentage of covered-employee payroll	 62.82%	 48.06%	 37.55%

**Notes to Schedule**

Assumption changes:

Discount rate 2.21% (Prior: 3.50%)

\* 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 THREE FISCAL YEARS\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
LEARN's proportion of the net OPEB liability	0.00%	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>10,134,296</u>	<u>10,016,237</u>	<u>13,421,188</u>
Total	<u>\$ 10,134,296</u>	<u>\$ 10,016,237</u>	<u>\$ 13,421,188</u>
LEARN's covered payroll	\$ 19,011,561	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	2.08%	1.49%	1.79%

**Notes to Schedule**

Changes in benefit terms	The Plan was amended by the Board, effective January 1, 2019, during the September 12, 2018 meeting. The Board elected a new prescription drug plan, which is expected to reduce overall costs and allow for the Board to receive a government subsidy for members whose claims reach a catastrophic level. These changes were communicated to retired members during the months leading up to the open enrollment period that preceded the January 1, 2019 implementation date.
Changes of assumptions	Based on the procedure described in GASB 74, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2019 was updated to equal the Municipal Bond Index Rate of 3.50% as of June 30, 2019.  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, 2019.  The expected rate of inflation was decreased, and the real wage growth assumption was increased.
Actuarial cost method	Entry age
Amortization method	Level percent of payroll over an open period
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Investment rate of return	3.00%, net of investment related expense including price inflation
Price inflation	2.75%

\* 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.

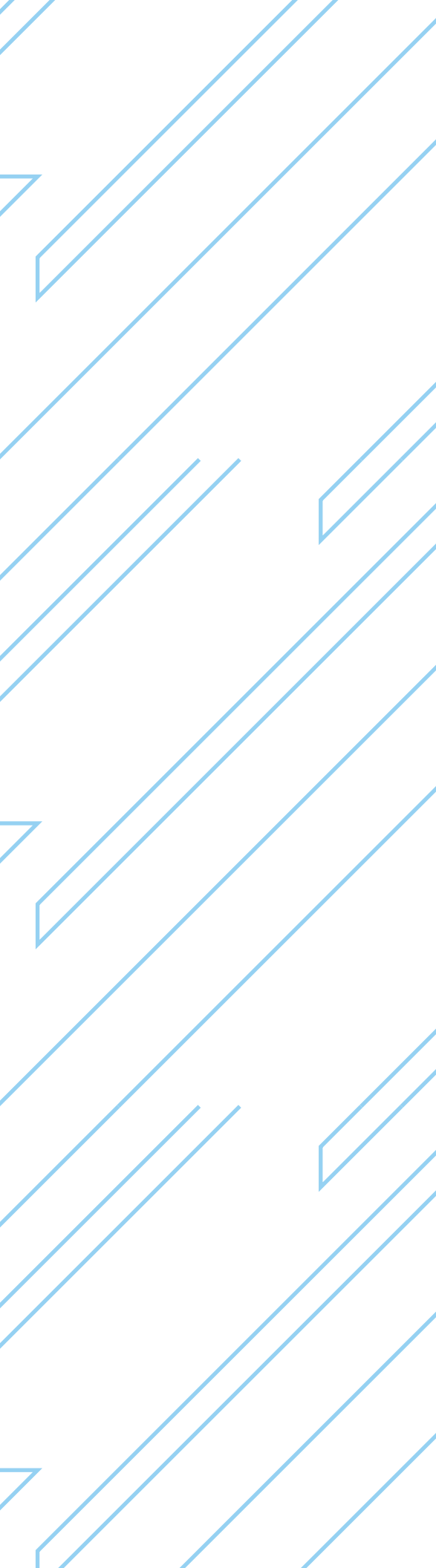
**School Lunch Fund:** Accounts for revenue and expenditures of the food service operations for LEARN schools.

**LEARN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<b>Special Revenue Funds</b>		<b>Total Nonmajor Funds</b>
	<b>LEARN Project Special Revenue Fund</b>	<b>School Lunch Fund</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 45,322	\$ 504,304	\$ 549,626
Intergovernmental receivables		4,028	4,028
Other receivables		3,102	3,102
Due from other funds	142	199,140	199,282
<b>Total Assets</b>	<b>\$ 45,464</b>	<b>\$ 710,574</b>	<b>\$ 756,038</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued items	\$ 980	\$ 28,882	\$ 29,862
Unearned revenue	19,720		19,720
<b>Total liabilities</b>	<b>20,700</b>	<b>28,882</b>	<b>49,582</b>
<b>Fund Balances:</b>			
Restricted	24,764	681,692	706,456
<b>Total Liabilities and Fund Balances</b>	<b>\$ 45,464</b>	<b>\$ 710,574</b>	<b>\$ 756,038</b>

**LEARN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<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	\$	\$ 196,782	\$ 196,782
Intergovernmental fees		710,623	710,623
Other grants, contributions and contracts	2,552		2,552
Total revenues	<u>2,552</u>	<u>907,405</u>	<u>909,957</u>
Expenditures:			
Current:			
Salaries, noncertified personnel	492		492
Employee benefits	46		46
Purchased professional services	981	33,328	34,309
Transportation / travel		128	128
Other purchased services		389,989	389,989
Phone, postage and printing		4,967	4,967
Books and instructional/office supplies	1,033	210	1,243
Food for programs		335,548	335,548
Capital outlay		30,011	30,011
Total expenditures	<u>2,552</u>	<u>794,181</u>	<u>796,733</u>
Excess of Revenues over Expenditures	-	113,224	113,224
Other Financing Sources:			
Transfers in		2,408	2,408
Net Change in Fund Balances	-	115,632	115,632
Fund Balances at Beginning of Year	<u>24,764</u>	<u>566,060</u>	<u>590,824</u>
Fund Balances at End of Year	<u>\$ 24,764</u>	<u>\$ 681,692</u>	<u>\$ 706,456</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***

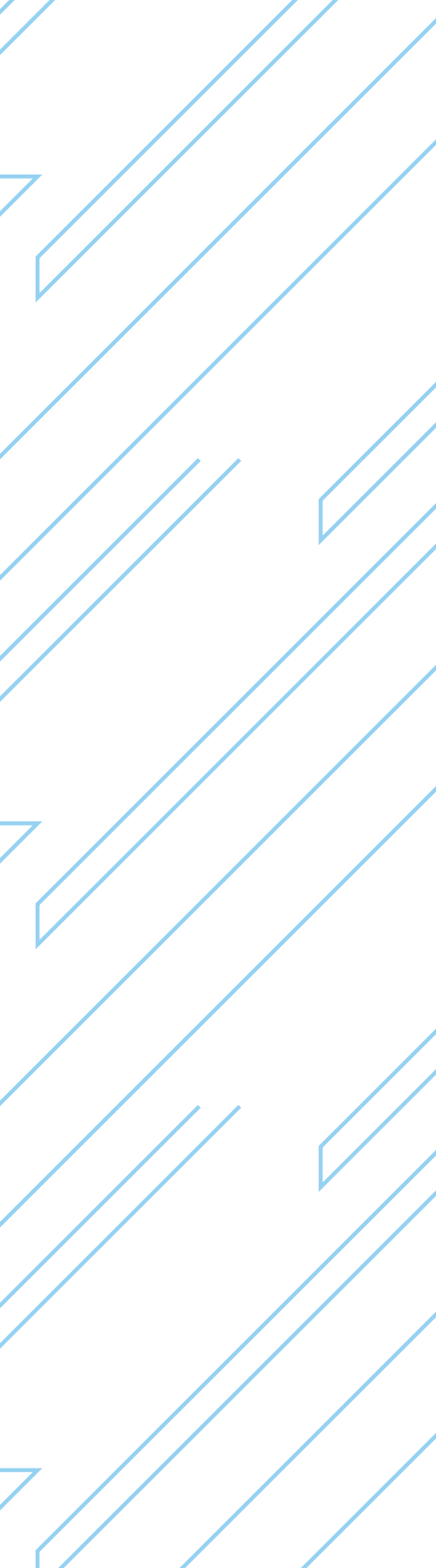
Agency funds are custodial in nature (assets equal liabilities). LEARN's agency funds are used to report the activity of the Eastern CT Health and Medical Cooperative and the student activity funds.

**LEARN**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
<b>RMMMS Programs Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>28,513</u>	\$ <u>10,677</u>	\$ <u>17,884</u>	\$ <u>21,306</u>
Liabilities:				
Fiduciary deposits	\$ <u>28,513</u>	\$ <u>10,677</u>	\$ <u>17,884</u>	\$ <u>21,306</u>
<b>RMMS School Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>6,956</u>	\$ <u>115,618</u>	\$ <u>115,372</u>	\$ <u>7,202</u>
Liabilities:				
Fiduciary deposits	\$ <u>6,956</u>	\$ <u>115,618</u>	\$ <u>115,372</u>	\$ <u>7,202</u>
<b>DLAA Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>4,982</u>	\$ <u>839</u>	\$ <u>2,054</u>	\$ <u>3,767</u>
Liabilities:				
Fiduciary deposits	\$ <u>4,982</u>	\$ <u>839</u>	\$ <u>2,054</u>	\$ <u>3,767</u>
<b>Friendship School Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>6,512</u>	\$ <u>4,737</u>	\$ <u>5,046</u>	\$ <u>6,203</u>
Liabilities:				
Fiduciary deposits	\$ <u>6,512</u>	\$ <u>4,737</u>	\$ <u>5,046</u>	\$ <u>6,203</u>
<b>Marine Science Magnet HS Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>79,495</u>	\$ <u>75,571</u>	\$ <u>75,008</u>	\$ <u>80,058</u>
Liabilities:				
Fiduciary deposits	\$ <u>79,495</u>	\$ <u>75,571</u>	\$ <u>75,008</u>	\$ <u>80,058</u>
<b>Three River Middle College Magnet School</b>				
Assets:				
Cash and cash equivalents	\$ <u>773</u>	\$ <u>4,612</u>	\$ <u>3,609</u>	\$ <u>1,776</u>
Liabilities:				
Fiduciary deposits	\$ <u>773</u>	\$ <u>4,612</u>	\$ <u>3,609</u>	\$ <u>1,776</u>

**LEARN**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2020</b>
<b>Eastern CT Health and Medical Cooperative</b>				
Assets:				
Cash and cash equivalents	\$ 1,376,440	\$ 34,228,515	\$ 30,485,758	\$ 5,119,197
Accounts receivable	1,408,378		1,232,232	176,146
<b>Total Assets</b>	<b>\$ 2,784,818</b>	<b>\$ 34,228,515</b>	<b>\$ 31,717,990</b>	<b>\$ 5,295,343</b>
Liabilities:				
Accounts payable	\$ 44,473		\$ 34,802	\$ 9,671
Due to other funds	28,808	32,476		61,284
Fiduciary deposits	2,711,537	18,939,412	16,426,561	5,224,388
<b>Total Liabilities</b>	<b>\$ 2,784,818</b>	<b>\$ 18,971,888</b>	<b>\$ 16,461,363</b>	<b>\$ 5,295,343</b>
<b>Total</b>				
Assets:				
Cash and cash equivalents	\$ 1,503,671	\$ 34,440,569	\$ 30,704,731	\$ 5,239,509
Accounts receivable	1,408,378		1,232,232	176,146
<b>Total Assets</b>	<b>\$ 2,912,049</b>	<b>\$ 34,440,569</b>	<b>\$ 31,936,963</b>	<b>\$ 5,415,655</b>
Liabilities:				
Accounts payable	\$ 44,473		\$ 34,802	\$ 9,671
Due to other funds	28,808	32,476		61,284
Fiduciary deposits	2,838,768	19,151,466	16,645,534	5,344,700
<b>Total Liabilities</b>	<b>\$ 2,912,049</b>	<b>\$ 19,183,942</b>	<b>\$ 16,680,336</b>	<b>\$ 5,415,655</b>



## Single Audits



**LEARN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>United States Department of Agriculture</b>				
<i>Passed Through the State of Connecticut Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	12060-SDE64370-20560	\$	\$ 467,168
School Breakfast Program	10.553	12060-SDE64370-20508		<u>189,702</u>
				<u>656,870</u>
Total United States Department of Agriculture			-	<u>656,870</u>
<b>United States Department of Education</b>				
<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		17,500
COVID-19 Coronavirus Relief Fund	84.425D	12060-OEC64845-29561		126,955
Special Education-Grants for Infants and Families	84.181	12060-OEC64855-20513		82,868
<i>Passed Through the State of Connecticut Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2020		378,168
Career and Technical Education -- Basic Grants to States	84.048	12060-SDE64370-20742-2020	61,059	65,553
Education for Homeless Children and Youth	84.196	12060-SDE64370-20770-2019		10,000
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2020		13,092
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2019		<u>4,858</u>
				17,950
English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2020	56,113	53,705
English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2019		41,505
English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2018		<u>3,801</u>
				99,011
Title IV - Student Support	84.424	12060-SDE64370-22854-2020		12,991
Title IV - Student Support	84.424	12060-SDE64370-22854-2019		<u>1,300</u>
				14,291
<i>Direct:</i>				
Magnet School Assistance	84.165A		<u>1,426,058</u>	<u>2,774,178</u>
Total United States Department of Education			<u>1,543,230</u>	<u>3,586,474</u>
<b>United States Social Security Administration</b>				
<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		<u>20</u>
				<u>20</u>
<b>Total Federal Awards</b>			<u>\$ 1,543,230</u>	<u>\$ 4,243,364</u>

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, 2020**

---

**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, 2020. 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, 2020**

---

**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? \_\_\_\_\_ 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 2 CFR Section 200.516(a)? \_\_\_\_\_ yes   X   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**

No matters were reported.

**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, 2020. 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, 2020.

## 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. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
October 16, 2020

**LEARN  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2020**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
<b>Department of Education</b>			
Talent Development	11000-SDE64370-12552		\$ 17,745
Child Nutrition State Match	11000-SDE64370-16211		11,595
Health Foods Initiative	11000-SDE64370-16212		22,088
Bilingual Education	11000-SDE64370-17042		12,169
School Breakfast Program	11000-SDE64370-17046		20,070
Magnet Schools	11000-SDE64370-17057		12,046,710
Magnet Schools	11000-SDE64370-17057		288,535
Magnet Schools	11000-SDE64370-17057		1,334,520
			13,669,765
Total Department of Education		-	13,753,432
<b>Office of Early Childhood</b>			
Child Care Quality Enhancement	11000-OEC64845-16158	17,226	17,226
<i>Passed Through Eastern Connecticut Regional Educational Service Center: Early Care and Education</i>	11000-OEC64845-16274	1,486,146	1,561,322
Birth to Three	11000-OEC64855-12192		325,900
Total Office of Early Childhood		1,503,372	1,904,448
<b>Department of Social Services</b>			
<i>Passed Through Eastern Connecticut Regional Educational Service Center: Birth to Three Program - Passed through the Department of Social Services</i>	11000-OEC64855-12192		193,102
<b>Total State Financial Assistance Before Exempt Programs</b>		1,503,372	15,850,982
<b>Exempt Programs</b>			
<b>Department of Administrative Services</b>			
School Construction Progress	13010-DAS27635-43744		512,598
Total Exempt Programs		-	512,598
<b>Total State Financial Assistance</b>		\$ 1,503,372	\$ 16,363,580

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, 2020**

---

**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, 2020. 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, 2020**

---

**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	\$ 13,669,765
Dollar threshold used to distinguish between type A and type B programs:		\$ 317,020

**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 LEARN's major state program for the year ended June 30, 2020. LEARN's major state 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 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 LEARN's major state 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 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 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 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 its major state program for the year ended June 30, 2020.

## 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 16, 2020

**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, 2020, and the related notes to the financial statements, which collectively comprise LEARN's basic financial statements, and have issued our report thereon dated October 16, 2020.

**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) as a basis for designing 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 financial statements. 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 16, 2020