

LEARN

FINANCIAL STATEMENTS
JUNE 30, 2018

**LEARN
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JUNE 30, 2018**

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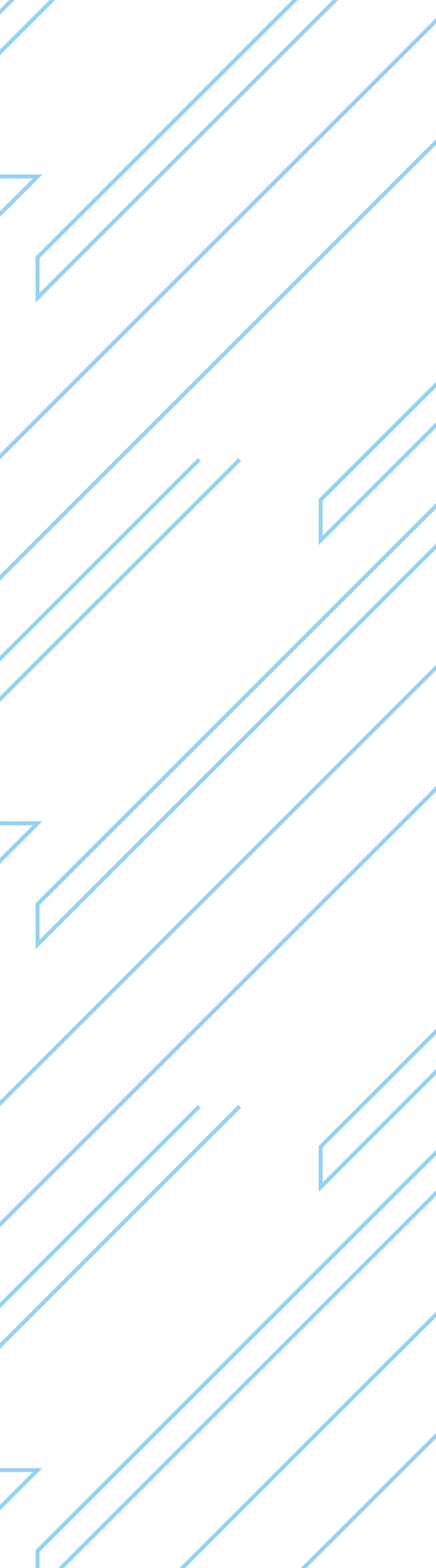


Introductory Section

LEARN

Principal Officials

Office	Name	District
Board of Directors:		
Chairperson	Craig L. Esposito	Stonington
Vice Chairperson	Tim Hagen	East Lyme
Fiscal Officer	Joanne Barmasse	East Hampton
Secretary	Rita Volkmann	Groton
Committee Member	Aaron Daniels	Norwich
Committee Member	VACANT	Guilford
Committee Member	Jane Cavanaugh	Region 4
Committee Member	Douglas Traynor	Clinton
Committee Member	Imran Munawar	Region 4
Committee Member	Karin Blaschik	East Haddam
Committee Member	Carolyn Rotella	Essex
Committee Member	Stephanie Calhoun	Ledyard
Committee Member	Emily Rosenthal	Madison
Committee Member	Colleen Rix	Montville
Committee Member	Jefferey Hart	New London
Committee Member	Pamela Potemri	North Stonington
Committee Member	Philip Broadhurst	Old Saybrook
Committee Member	Cindy Luty	Preston
Committee Member	Susanne Sack	Region #17 Haddam & Killingworth
Committee Member	Stacey Leonardo	Region #18 Lyme & Old Lyme
Committee Member	Michael J. Siebert	Salem
Committee Member	Christopher Jones	Waterford
Committee Member	Dee Adorno	Westbrook
Other Officials:		
Executive Director	Eileen Howley	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, 2018, 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, 2018 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.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, during the fiscal year ended June 30, 2018, LEARN adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of LEARN has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the OPEB and pension 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, which 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 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 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 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 December 11, 2018 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
December 11, 2018

LEARN

Management's Discussion and Analysis

June 30, 2018

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, 2018. 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 \$14,883,920 at June 30, 2018.
- On a government-wide basis, total revenue exceeded total expenses by \$627,922
- On a government-wide basis, LEARN's assets exceeded its liabilities by \$59,446,438
- At the close of the fiscal year, LEARN's governmental funds reported a combined ending fund balance of \$18,654,708 which represents a positive change of \$1,487,407 over the prior year.

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, 2018, LEARN's net position was \$59,446,438. 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**

	Governmental Activities	
	2018	2017 (as Restated)
Current and other assets	\$ 24,497,123	\$ 20,927,350
Capital assets, net of accumulated depreciation	<u>44,576,398</u>	<u>42,826,251</u>
Total assets	<u>69,073,521</u>	<u>63,753,601</u>
Current liabilities	5,236,356	3,760,049
Long-term liabilities	<u>4,359,515</u>	<u>1,175,036</u>
Total liabilities	<u>9,595,871</u>	<u>4,935,085</u>
Deferred inflows of resources	<u>31,212</u>	<u>-</u>
Net Position:		
Invested in capital assets, net of related debt	44,562,518	42,772,143
Unrestricted	<u>14,883,920</u>	<u>16,046,373</u>
Total Net Position	<u>\$ 59,446,438</u>	<u>\$ 58,818,516</u>

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

TABLE 2
CHANGE IN NET POSITION

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 21,012,650	\$ 19,118,527
Operating grants and contributions	33,380,217	34,631,847
General revenues:		
Unrestricted investment earnings	51,541	45,189
Total revenues	<u>54,444,408</u>	<u>53,795,563</u>
Expenses:		
Administrative services / development	2,566,610	877,859
Early care and education	1,922,845	2,016,424
Partners B-3 / family enhancement services	909,963	910,352
Magnet school programs	33,869,090	33,306,722
Special education services	12,629,232	11,055,842
Professional and career services	649,342	1,797,056
Instruction and technology services		49,595
Transportation	1,267,541	1,214,569
Interest expense	1,863	4,068
Total expenses	<u>53,816,486</u>	<u>51,232,487</u>
Change in net position	627,922	2,563,076
Net position at beginning of year	<u>58,818,516</u>	56,138,261
Restatement		<u>117,179</u>
Net Position at End of Year	<u>\$ 59,446,438</u>	<u>\$ 58,818,516</u>

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

Charges for services increased 10% or \$1,894,000 compared to the prior year. An increase in the number of students enrolled in LEARN's student support services programs and reclassification of fees for the East Hartford magnet schools from administration charges to service fees in the amount of \$939,000 account for the increase. Operating grants and contributions decreased 3.6% or \$1,252,000. Reductions in the state Interdistrict and Birth to Three grants account for the decrease.

Total operational expenditures increased \$2,583,999 or 5%. Administrative services, special education services and professional and career services experienced the largest variances. The increase in the administrative service and development program was primarily the result of a change in fringe benefit and administrative allocations, including the \$939,000 administrative charges mentioned above, in the amount of \$1,200,000. Student support service expenditures increased as a result of a transfer of services formerly charged in The Friendship School budget to the student support services budget, as well as an increase in the number of students served compared to prior year. In addition, a decline in LEARN's net position in the Eastern Connecticut Health and Medical Cooperative resulted in a \$671,500 charge to current year expenses and was allocated to all program activities. Decreased funding in the amount of \$300,000 for the MSAP federal grant and \$900,000 for the Interdistrict grant resulted in reduced spending in the magnet school and professional and career services programs. Agency-wide spending was also impacted as a result of average salary increases of 3% as well as a 16% increase in health insurance costs. This is also the first year that LEARN recorded an additional charge for an on-behalf payment for teacher related other post-employment benefits in the amount of \$639,000.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Financial Analysis of the Government's Funds

Governmental Funds

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

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

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

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

Fund Balances

At the end of the current fiscal year, LEARN's governmental funds reported a combined ending fund balance of \$18,654,708, a positive change of \$1,487,407 from the prior year as shown on Table 3 below. Approximately 85% of the ending fund balance is unassigned fund balance and is therefore available to support on-going operations. Note 14 shows the components of fund balance at year-end.

**TABLE 3
GOVERNMENTAL FUND BALANCES**

	Fiscal Year Ended June 30,		Increase
	2018	2017	(Decrease)
General Fund	\$ 16,479,944	\$ 15,472,170	\$ 1,007,774
Special Revenue Fund	292,969	371,484	(78,515)
Capital Projects Fund	1,456,895	1,134,724	322,171
Nonmajor Governmental Funds:			
Special Revenue Funds	23,652	21,308	2,344
School Lunch Fund	401,248	167,615	233,633
Total	\$ 18,654,708	\$ 17,167,301	\$ 1,487,407

The increase in the general fund was primarily the result of surpluses in the student support services programs due to an increase in the number of students served. The magnet schools also generated a surplus due to greater than expected magnet school grant payments from the state. Surpluses in these programs will be transferred to the capital projects funds to offset future building repair costs for the LEARN central office as well as the magnet schools.

The decrease in the special revenue fund was due to a reduction in the reimbursement rate for the Birth to Three Program and will be covered by a transfer from the general fund.

The capital projects fund balance increased due to the receipt of proceeds from a \$3 million bank loan for the rehabilitation of the recently purchased Ocean Avenue LEARNing Academy. Phase I of the \$5.1 million renovation project is financed in part through a state grant for approximately \$3.2 million. The remaining amount, approximately \$1.9 million, will be paid from LEARN's reserves. An additional transfer from reserves will also be required to cover the \$1.9 million purchase price of the building.

Revenues

The governmental funds' total revenues increased 1.2% from fiscal year 2017 to fiscal year 2018 to \$54,444,408. Participation and program fees increased \$1,924,957 due to an increase in the number of students served in the student support services programs, as well as a reclassification of fees for administrative charges for the East Hartford magnet schools to charges for service from contractual fees in the amount of \$939,000. Intergovernmental revenue decreased \$1,083,445 due to reductions in the Magnet School Operating grant and Interdistrict grants. Other grants, contributions and contracts decreased \$199,019. The decrease was the result of a reclassification of revenue mentioned above and was offset by increases in reimbursements of the East Hartford magnet school contracts as well as an increase in employee cost share for health insurance.

Expenditures

Total governmental fund expenditures for fiscal year 2018 rose 13.5%, compared to the prior year, to \$55,957,001. Over half of the escalation is the result of increased spending in capital outlay. LEARN spent \$2.8 million between the purchase and renovation of the Ocean Avenue LEARNing Academy and an additional \$1 million on technology, playground installation at the Friendship School and vehicle purchases. Agency wide, the other primary drivers of increased spending were salaries and benefits. Increased spending on salaries was the result of an average 3% increase in wages plus six additional positions in the amount of \$1.2 million. Fringe benefits increased \$2.2 million, the result of a 16% increase in employee health insurance premiums along with a \$671,500 charge to fringe benefits for LEARN's share of the net position in the Eastern Connecticut Health Insurance Consortium. The overall increases in salaries and benefits was partially offset by reductions of \$1.2 million in other spending associated with the Interdistrict and MSAP grants.

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 this fiscal year 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, 2018 is \$44,576,398 - as shown in Table 4. Investment in capital assets includes land, buildings and improvements, vehicles, furniture, fixtures and equipment and construction in progress. There was an increase in capital assets due to increased spending on technology, playground installation, vehicle purchases and the purchase and renovation of the Ocean Avenue LEARNing Academy.

TABLE 4
CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities	
	2018	2017
Land	\$ 1,116,268	\$ 1,116,268
Construction in progress	621,400	
Buildings and improvements	40,285,166	39,744,936
Furniture and equipment	2,150,366	1,814,029
Vehicles	403,198	151,018
Total	<u>\$ 44,576,398</u>	<u>\$ 42,826,251</u>

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

Long-Term Debt

At June 30, 2018, LEARN had a balance of \$4,359,515 in long-term debt as shown in Table 5.

TABLE 5
OUTSTANDING DEBT

	Governmental Activities	
	2018	2017
Note payable	\$ 3,000,000	\$
Capital leases	13,880	54,108
Total OPEB liability	1,062,488	832,690
Compensated absences	283,147	288,238
Total	<u>\$ 4,359,515</u>	<u>\$ 1,175,036</u>

LEARN's total long-term debt increased 16%. No new leases were entered into during the year. The increase in the OPEB obligation was due to an increase in the number of eligible employees. As mentioned earlier, 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 2018 was 4.3%, compared to a rate of 4.9% a year ago. The state's unemployment rate was 4.4% and the national average rate was 4% at June 2018. 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 Director of Business and Finance, 44 Hatchetts Hill Road, Old Lyme, Connecticut 06371.



Basic Financial Statements

LEARN
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 19,195,870
Receivables:	
Intergovernmental	1,497,219
Participant and program fees	3,764,235
Due from Eastern CT Health and Medical Cooperative	33,449
Other assets	6,350
Total current assets	<u>24,497,123</u>
Noncurrent assets:	
Capital assets, not being depreciated	1,737,668
Capital assets being depreciated, net of depreciation	42,838,730
Total noncurrent assets	<u>44,576,398</u>
Total assets	<u>69,073,521</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued items	1,977,258
Accrued payroll	2,012,054
Due to other governments	67,741
Unearned revenue	1,179,303
Total current liabilities	<u>5,236,356</u>
Noncurrent liabilities:	
Due within one year	224,242
Due in more than one year	4,135,273
Total noncurrent liabilities	<u>4,359,515</u>
Total liabilities	<u>9,595,871</u>
Deferred Inflows of Resources:	
Deferred inflows related to OPEB	<u>31,212</u>
Net Position:	
Net investment in capital assets	44,562,518
Unrestricted	<u>14,883,920</u>
Total Net Position	<u>\$ 59,446,438</u>

The accompanying notes are an integral part of the financial statements

**LEARN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<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>	
Governmental Activities:				
Administrative services / development	\$ 2,566,610	\$ 1,345,695	\$ 1,195,539	\$ (25,376)
Early care and education	1,922,845	224,394	1,687,802	(10,649)
Partners B-3 / family enhancement services	909,963		685,410	(224,553)
Magnet school programs	33,869,090	6,050,627	27,518,491	(299,972)
Special education services	12,629,232	12,094,424	1,574,186	1,039,378
Professional and career services	649,342	104,623	513,565	(31,154)
Transportation	1,267,541	1,192,887	205,224	130,570
Interest expense	1,863			(1,863)
Total Governmental Activities	\$ 53,816,486	\$ 21,012,650	\$ 33,380,217	\$ -
General Revenues:				
Interest income				51,541
Change in Net Position				627,922
Net Position at Beginning of Year, as Restated				58,818,516
Net Position at End of Year				\$ 59,446,438

The accompanying notes are an integral part of the financial statements

LEARN
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 13,401,029	\$ 2,302,081	\$ 3,035,337	\$ 457,423	\$ 19,195,870
Receivables:					
Intergovernmental		869,783	427,271	200,165	1,497,219
Participant and program fees	1,465,138	2,295,941		3,156	3,764,235
Due from other funds	5,016,051			16,248	5,032,299
Prepaid items	6,350				6,350
Total Assets	\$ 19,888,568	\$ 5,467,805	\$ 3,462,608	\$ 676,992	\$ 29,495,973
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued items	\$ 884,881	\$ 517,192	\$ 537,424	\$ 37,761	\$ 1,977,258
Accrued payroll	779,192	1,232,862			2,012,054
Due to other funds	622,307	3,323,429	1,468,289	190,884	5,604,909
Due to other governments		67,741			67,741
Unearned revenue	1,122,244	33,612		23,447	1,179,303
Total liabilities	3,408,624	5,174,836	2,005,713	252,092	10,841,265
Fund Balances:					
Nonspendable	6,350				6,350
Restricted		292,969		424,900	717,869
Committed			1,456,895		1,456,895
Assigned	283,147				283,147
Unassigned	16,190,447				16,190,447
Total fund balances	16,479,944	292,969	1,456,895	424,900	18,654,708
Total Liabilities and Fund Balances	\$ 19,888,568	\$ 5,467,805	\$ 3,462,608	\$ 676,992	\$ 29,495,973

The accompanying notes are an integral part of the financial statements

LEARN
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 18,654,708
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 65,122,786	
Less accumulated depreciation	<u>(20,546,388)</u>	
Net capital assets		44,576,398

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.

606,059

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

Note payable	(3,000,000)
Capital lease	(13,880)
Compensated absences	(283,147)
Total OPEB liability	(1,062,488)
Deferred inflows related to OPEB	<u>(31,212)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 59,446,438</u>
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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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Participation and program fees	\$ 19,910,476	\$	\$	\$ 319,755	\$ 20,230,231
Intergovernmental revenues	3,159,942	20,836,853		894,487	24,891,282
Other grants, contributions and contracts	1,263,799	8,003,836		3,719	9,271,354
Interest income	48,351		842	2,348	51,541
Total revenues	<u>24,382,568</u>	<u>28,840,689</u>	<u>842</u>	<u>1,220,309</u>	<u>54,444,408</u>
Expenditures:					
Current:					
Salaries, certified personnel	5,058,389	11,479,578			16,537,967
Salaries, noncertified personnel	5,416,761	3,147,706		525	8,564,992
Employee benefits	6,757,589	8,324,403			15,081,992
Purchased professional services	491,052	1,170,641		48,280	1,709,973
Administrative / management	1,811,935	1,189,031			3,000,966
Public utilities / property services	846,187	969,028			1,815,215
Maintenance	89,336	70,561			159,897
Rent	544,657	160,100			704,757
Transportation / travel	219,273	345,753		505	565,531
Advertising	18,243	23,540	190		41,973
Other purchased services	282,876	1,450,016		552,246	2,285,138
Insurance	153,491	41,652	5,163		200,306
Phone, postage and printing	106,939	59,605		4,976	171,520
Books and instructional / office supplies	173,678	203,094		2,115	378,887
Food for programs	66,525	3,881		392,107	462,513
Organizational dues	15,083	10,449			25,532
Debt service:					
Principal retirement	40,228				40,228
Interest and other charges	1,865				1,865
Loan processing costs			19,511		19,511
Capital outlay	1,084,968	261,013	2,842,257		4,188,238
Total expenditures	<u>23,179,075</u>	<u>28,910,051</u>	<u>2,867,121</u>	<u>1,000,754</u>	<u>55,957,001</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,203,493</u>	<u>(69,362)</u>	<u>(2,866,279)</u>	<u>219,555</u>	<u>(1,512,593)</u>
Other Financing Sources (Uses):					
Issuance of note payable			3,000,000		3,000,000
Transfers in from other funds			188,450	16,422	204,872
Transfers out to other funds	(195,719)	(9,153)			(204,872)
Total other financing sources (uses)	<u>(195,719)</u>	<u>(9,153)</u>	<u>3,188,450</u>	<u>16,422</u>	<u>3,000,000</u>
Net Change in Fund Balances	1,007,774	(78,515)	322,171	235,977	1,487,407
Fund Balances at Beginning of Year	<u>15,472,170</u>	<u>371,484</u>	<u>1,134,724</u>	<u>188,923</u>	<u>17,167,301</u>
Fund Balances at End of Year	<u>\$ 16,479,944</u>	<u>\$ 292,969</u>	<u>\$ 1,456,895</u>	<u>\$ 424,900</u>	<u>\$ 18,654,708</u>

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, 2018

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)	\$ 1,487,407
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,834,032
Depreciation expense	(2,083,885)

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	(3,000,000)
Capital lease payments	40,228

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	5,091
Change in total OPEB liability	(229,798)
Deferred inflows related to OPEB	(31,212)

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>606,059</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 627,922</u>
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The accompanying notes are an integral part of the financial statements

LEARN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Internal Service Fund</u>
ASSETS	
Due from other funds	\$ <u><u>606,059</u></u>
NET POSITION	
Net Position: Unrestricted	\$ <u><u>606,059</u></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, 2018

	<u>Internal Service Fund</u>
Operating Revenues:	
Charges for services	\$ 1,128,058
Operating Expenses	
Benefit payments	<u>521,999</u>
Operating Income	<u>606,059</u>
Change in Net Position	606,059
Net Position at Beginning of Year	<u>-</u>
Net Position at End of Year	<u>\$ 606,059</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, 2018

	Governmental Activities
	Internal Service Fund
Cash Flow from Operating Activities:	
Cash received from interfund services provided	\$ 521,999
Cash payment to providers benefits	<u>(521,999)</u>
Net cash provided by (used in) operating activities	<u>-</u>
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income	\$ 606,059
Adjustment to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in due to other funds	<u>(606,059)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements

LEARN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 913,966
Accounts receivable	<u>244,683</u>
Total Assets	<u>\$ 1,158,649</u>
LIABILITIES	
Accounts payable	\$ 77,963
Due to other funds	33,449
Deposits held for others	<u>1,047,237</u>
Total Liabilities	<u>\$ 1,158,649</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, 2018**

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

D. Deposits and Investments

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

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

Investments for LEARN are reported at fair value.

E. Receivables and Payables

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

F. Prepaid Items

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

G. Capital Assets

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

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

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

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

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

H. Compensated Absences

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

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

I. Long-Term Obligations

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

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

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

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. LEARN does not report any deferred outflows of resources at year end.

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

O. Fund Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

P. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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, 2018**

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$19,312,982 of LEARN's bank balance of \$20,710,651 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 17,255,367
Uninsured and collateral held by the pledging bank's trust department, not in LEARN's name	<u>2,057,615</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 19,312,982</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, 2018, LEARN's cash equivalents amounted to \$183,404 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 AAAM 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, 2018.

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. RECEIVABLES

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>
Receivables:				
Intergovernmental	\$	\$ 869,783	\$ 427,271	\$ 200,165
Participant and program fees	1,465,138	2,295,941		3,156
Other				244,683
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Receivables	\$ <u>1,465,138</u>	\$ <u>3,165,724</u>	\$ <u>427,271</u>	\$ <u>448,004</u>

All receivables are considered fully collectible.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,116,268	\$	\$	\$ 1,116,268
Construction in progress		621,400		621,400
Total capital assets not being depreciated	<u>1,116,268</u>	<u>621,400</u>	<u>-</u>	<u>1,737,668</u>
Capital assets being depreciated:				
Buildings and improvements	53,455,004	1,911,844		55,366,848
Furniture and equipment	6,104,017	960,169		7,064,186
Vehicles	1,058,344	340,619	(444,879)	954,084
Total capital assets being depreciated	<u>60,617,365</u>	<u>3,212,632</u>	<u>(444,879)</u>	<u>63,385,118</u>
Less accumulated depreciation for:				
Buildings and improvements	13,710,068	1,371,614		15,081,682
Furniture and equipment	4,289,988	623,832		4,913,820
Vehicles	907,326	88,439	(444,879)	550,886
Total accumulated depreciation	<u>18,907,382</u>	<u>2,083,885</u>	<u>(444,879)</u>	<u>20,546,388</u>
Total capital assets being depreciated, net	<u>41,709,983</u>	<u>1,128,747</u>	<u>-</u>	<u>42,838,730</u>
Total Capital Assets, Net of Depreciation	\$ <u>42,826,251</u>	\$ <u>1,750,147</u>	\$ <u>-</u>	\$ <u>44,576,398</u>

**LEARN
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense for fiscal year 2018 was charged to functions/programs of LEARN as follows:

Governmental Activities:	
Administrative services/development	\$ 235,798
Magnet school programs	1,683,988
Special education services	51,934
Professional and career services	16,561
Instruction and technology services	7,111
Transportation	<u>88,493</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,083,885</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund balances as of June 30, 2018 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 3,323,429
	Eastern CT Health and Medical Cooperative	33,449
	Capital Projects Fund	1,468,289
	Learn Project	190,884
School Lunch	General Fund	16,248
Internal Service	General Fund	<u>606,059</u>
		<u>\$ 5,638,358</u>

All interfund balance 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, 2018 were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Total Transfers</u>
	<u>Capital Projects</u>	<u>School Lunch Fund</u>	
General Fund	\$ 188,450	\$ 7,269	\$ 195,719
Special Revenue Fund		<u>9,153</u>	<u>9,153</u>
Total	<u>\$ 188,450</u>	<u>\$ 16,422</u>	<u>\$ 204,872</u>

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. LEASES

Operating Leases

LEARN's operating leases consist of classroom space and copiers. Operating lease payments for the year ended June 30, 2018 amounted to \$301,768. The following schedule reflects the annual amounts of operating leases in effect at June 30, 2018:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2019	\$ 63,820
2020	58,060
2021	47,674
2022	29,785
2023	7,030

Capital Lease

LEARN has capital leases agreement for various vehicles. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception.

Assets:	
Vehicles	\$ 184,973
Less accumulated depreciation	<u>(172,644)</u>
Total	<u>\$ 12,329</u>

The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 14,031
Interest on future lease payments	<u>(151)</u>
Principal Balance of Future Minimum Payments	<u>\$ 13,880</u>

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note payable	\$	\$ 3,000,000	\$	\$ 3,000,000	\$ 210,362
Capital leases	54,108		40,228	13,880	13,880
Total OPEB liability	832,690	229,798		1,062,488	
Compensated absences	<u>288,238</u>	<u>31,480</u>	<u>36,571</u>	<u>283,147</u>	
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,175,036</u>	<u>\$ 3,261,278</u>	<u>\$ 76,799</u>	<u>\$ 4,359,515</u>	<u>\$ 224,242</u>

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

Note Payable

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. The principal and interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 210,362	\$ 147,005	\$ 357,367
2020	250,863	128,672	379,535
2021	263,511	116,024	379,535
2022	276,429	103,106	379,535
2023	289,981	89,554	379,535
2024-2028	1,677,350	220,325	1,897,675
2029	<u>31,504</u>	<u>124</u>	<u>31,628</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 804,810</u>	<u>\$ 3,804,810</u>

9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Teachers' Retirement System

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

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

Early Retirement

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

Disability Retirement

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

C. Contributions

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

Employer (School Districts)

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

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

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, 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>52,143,698</u>
Total	\$	<u><u>52,143,698</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2018, LEARN has no proportionate share of the net pension liability.

For the year ended June 30, 2018, LEARN recognized pension expense and revenue of \$6,031,503 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

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

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

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

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

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LEARN
NOTES TO FINANCIAL STATEMENTS
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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.

10. 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, 2018, LEARN has not established a trust fund to irrevocably segregate assets to fund liability associated with the postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. Administration costs are financed from current operations.

B. Benefit Provided

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

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

C. Employees Covered by Benefit Terms

Membership in the plan consisted of the following at June 30, 2018, the date of the last actuarial valuation.

Inactive employees currently receiving benefit payments	2
Active employees	<u>156</u>
Total	<u><u>158</u></u>

D. Total OPEB Liability

LEARN's total OPEB liability of \$1,062,488 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

E. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

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

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

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

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

F. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of July 1, 2017	\$ <u>832,690</u>
Changes for the year:	
Service cost	232,301
Interest on total OPEB liability	38,001
Changes of benefit terms	
Difference between expected and actual experience	
Changes in assumptions or other inputs	(33,423)
Benefit payments	<u>(7,081)</u>
Net changes	<u>229,798</u>
Balances as of June 30, 2018	\$ <u><u>1,062,488</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018.

LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

The following presents the total OPEB liability of LEARN, as well as what LEARN's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 1,216,722	\$ 1,062,488	\$ 983,852

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 (8.0% decreasing to 4.00%) or 1 percentage point higher (10.00% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (8.00% Decreasing to 4.00%)	Healthcare Costs Trend Rates (9.00% Decreasing to 5.00%)	1% Increase (10.00% Decreasing to 6.00%)
Total OPEB Liability	\$ 876,433	\$ 1,062,488	\$ 1,294,780

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

For the year ended June 30, 2018, LEARN recognized OPEB expense of \$268,091. At June 30, 2018, LEARN reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions or other inputs	<u> </u>	<u>31,212</u>
Total	<u>\$ -</u>	<u>\$ 31,212</u>

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

<u>Year Ending June 30,</u>	
2019	\$ (2,211)
2020	(2,211)
2021	(2,211)
2022	(2,211)
2023	(2,211)
Thereafter	(20,157)

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.

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.

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

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

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NOTES TO FINANCIAL STATEMENTS
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If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

- | | |
|--|-------|
| • Medicare Supplement with Prescriptions | \$ 92 |
| • Medicare Supplement with Prescriptions and Dental | 136 |
| • Medicare Supplement with Prescriptions, Dental, Vision & Hearing | 141 |

Those participants electing vision, hearing and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the plan for these benefits.

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.

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.

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NOTES TO FINANCIAL STATEMENTS
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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.

Employees

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

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

At June 30, 2018, 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>13,421,188</u>
Total	\$	<u><u>13,421,188</u></u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2016. At June 30, 2018, LEARN has no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, LEARN recognized OPEB expense and revenue of \$622,006 in Exhibit II for on-behalf amounts for the benefits provided by the State.

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NOTES TO FINANCIAL STATEMENTS
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F. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	7.25% decreasing to 5.00% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2018

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, mortality rates were based on the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2016 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 74 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 (0.04%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. 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 2018 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.

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NOTES TO FINANCIAL STATEMENTS
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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.

11. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

Governmental Activities:

Net position at June 30, 2017, as previously reported	\$ 58,701,337
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Adjustments:

Eliminate net OPEB obligation reported per GASB No. 45	949,869
Record starting total OPEB liability per GASB No. 75	<u>(832,690)</u>

Net Position at July 1, 2017, as Restated	\$ <u><u>58,818,516</u></u>
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12. LITIGATION AND CONTINGENCIES

LEARN has been named as defendant in several claims and legal actions. LEARN's attorney estimates that the potential claims against LEARN not covered by insurance resulting from such claims and legal actions would not materially affect the financial condition of LEARN. LEARN has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based upon prior experience, LEARN's management believes such disallowances, if any, will not be material.

13. 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.

**LEARN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

14. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable for:					
Prepaid items	\$ 6,350	\$	\$	\$	\$ 6,350
Restricted for:					
Salaries, certified personnel		292,969		424,900	717,869
Committed to:					
Magnet school renovations			1,456,895		1,456,895
Assigned for:					
Compensated absences	283,147				283,147
Unassigned	<u>16,190,447</u>				<u>16,190,447</u>
Total Fund Balance	\$ <u>16,479,944</u>	\$ <u>292,969</u>	\$ <u>1,456,895</u>	\$ <u>424,900</u>	\$ <u>18,654,708</u>



Required Supplementary Information

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

	<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%
LEARN's proportionate share of the net pension liability	\$ -	\$ -	\$ -	-
State's proportionate share of the net pension liability associated with LEARN	<u>52,143,698</u>	<u>55,012,001</u>	<u>37,255,461</u>	<u>34,435,208</u>
Total	<u>\$ 52,143,698</u>	<u>\$ 55,012,001</u>	<u>\$ 37,255,461</u>	<u>\$ 34,435,208</u>
LEARN's covered payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

Note:

1. Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Notes to Schedule

Changes in benefit terms None

Changes of assumptions During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.

During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.

Actuarial cost method Entry age
Amortization method Level percent of salary, closed
Remaining amortization period 20.4 years
Asset valuation method 4-year smoothed market
Investment rate of return 8.50%, net of investment related expense

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

	<u>2018</u>
Total OPEB Liability:	
Service costs	\$ 232,301
Interest	38,001
Changes in assumptions and other inputs	(33,423)
Benefit payments	<u>(7,081)</u>
Net change in total OPEB Liability	229,798
Total OPEB liability - beginning	<u>832,690</u>
Total OPEB Liability - Ending	<u>\$ 1,062,488</u>
Covered-employee payroll	\$ 2,829,268
Total OPEB liability as a percentage of covered-employee payroll	37.55%

Notes to Schedule:

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

Benefit changes	None
Assumption changes:	
Discount rate	3.87% Prior 3.58%
Plan changes	None

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

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

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate.
	Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations.
	As a result of the experience study for the five-year period ended June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	4.25%, net of investment related expense including price inflation

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



**Supplemental and Combining
Fund Statements and Schedules**



Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

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

LEARN Project Special Revenue: 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, 2018**

	Special Revenue Fund		
	LEARN Project Special Revenue Fund	School Lunch Fund	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	\$ 229,718	\$ 227,705	\$ 457,423
Intergovernmental receivables		200,165	200,165
Other receivables		3,156	3,156
Due from other funds		16,248	16,248
	<u>229,718</u>	<u>447,274</u>	<u>676,992</u>
Total Assets	\$ 229,718	\$ 447,274	\$ 676,992
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued items	\$ 383	\$ 37,378	\$ 37,761
Unearned revenue	14,799	8,648	23,447
Due to other funds	190,884		190,884
Total liabilities	<u>206,066</u>	<u>46,026</u>	<u>252,092</u>
Fund Balances:			
Restricted	23,652	401,248	424,900
Total fund balances	<u>23,652</u>	<u>401,248</u>	<u>424,900</u>
Total Liabilities and Fund Balances	\$ 229,718	\$ 447,274	\$ 676,992

**LEARN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Fund		School Lunch Fund	Total Nonmajor Funds
	LEARN Project Special Revenue Fund			
Revenues:				
Participation and program fees	\$		\$ 319,755	\$ 319,755
Intergovernmental fees			894,487	894,487
Other grants, contributions and contracts	3,719			3,719
Interest income	2,348			2,348
Total revenues	<u>6,067</u>		<u>1,214,242</u>	<u>1,220,309</u>
Expenditures:				
Current:				
Salaries, noncertified personnel	525			525
Purchased professional services	700		47,580	48,280
Transportation / travel			505	505
Other purchased services	383		551,863	552,246
Phone, postage and printing			4,976	4,976
Books and instructional / office supplies	2,115			2,115
Food for programs			392,107	392,107
Total expenditures	<u>3,723</u>		<u>997,031</u>	<u>1,000,754</u>
Excess of Revenues over Expenditures	2,344		217,211	219,555
Other Financing Sources:				
Transfers in			16,422	16,422
Net Change in Fund Balances	2,344		233,633	235,977
Fund Balances at Beginning of Year	<u>21,308</u>		<u>167,615</u>	<u>188,923</u>
Fund Balances at End of Year	\$ <u>23,652</u>		\$ <u>401,248</u>	\$ <u>424,900</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, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
RMMMS Programs Fund				
Assets:				
Cash and cash equivalents	\$ 22,756	\$ 54,082	\$ 49,861	\$ 26,977
Liabilities:				
Fiduciary deposits	\$ 22,756	\$ 54,082	\$ 49,861	\$ 26,977
RMMS School Fund				
Assets:				
Cash and cash equivalents	\$ 12,027	\$ 179,983	\$ 184,045	\$ 7,965
Liabilities:				
Fiduciary deposits	\$ 12,027	\$ 179,983	\$ 184,045	\$ 7,965
DLAA Activity Fund				
Assets:				
Cash and cash equivalents	\$ 1,527	\$ 8,876	\$ 7,324	\$ 3,079
Liabilities:				
Fiduciary deposits	\$ 1,527	\$ 8,876	\$ 7,324	\$ 3,079
Friendship School Activity Fund				
Assets:				
Cash and cash equivalents	\$ 9,543	\$ 11,342	\$ 12,748	\$ 8,137
Liabilities:				
Fiduciary deposits	\$ 9,543	\$ 11,342	\$ 12,748	\$ 8,137
Marine Science Magnet HS Fund				
Assets:				
Cash and cash equivalents	\$ 78,075	\$ 81,875	\$ 66,249	\$ 93,701
Liabilities:				
Fiduciary deposits	\$ 78,075	\$ 81,875	\$ 66,249	\$ 93,701
Three River Middle College Magnet School				
Assets:				
Cash and cash equivalents	\$ 2,392	\$ 5,494	\$ 5,993	\$ 1,893
Liabilities:				
Fiduciary deposits	\$ 2,392	\$ 5,494	\$ 5,993	\$ 1,893

LEARN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Eastern CT Health and Medical Cooperative				
Assets:				
Cash and cash equivalents	\$ 1,606,052	\$	\$ 833,838	\$ 772,214
Accounts receivable	<u>114,573</u>	<u>130,110</u>	<u></u>	<u>244,683</u>
Total Assets	<u>\$ 1,720,625</u>	<u>\$ 130,110.00</u>	<u>\$ 833,838</u>	<u>\$ 1,016,897</u>
Liabilities:				
Accounts payable	\$ 135,509	\$	\$ 57,546	\$ 77,963
Due to other funds	84,558		51,109	33,449
Fiduciary deposits	<u>1,500,558</u>	<u>18,342,159</u>	<u>18,937,232</u>	<u>905,485</u>
Total Liabilities	<u>\$ 1,720,625</u>	<u>\$ 18,342,159</u>	<u>\$ 19,045,887</u>	<u>\$ 1,016,897</u>
Total				
Assets:				
Cash and cash equivalents	\$ 1,732,372	\$ 341,652	\$ 1,160,058	\$ 913,966
Accounts receivable	<u>114,573</u>	<u>130,110</u>	<u></u>	<u>244,683</u>
Total Assets	<u>\$ 1,846,945</u>	<u>\$ 471,762</u>	<u>\$ 1,160,058</u>	<u>\$ 1,158,649</u>
Liabilities:				
Accounts payable	\$ 135,509	\$	\$ 57,546	\$ 77,963
Due to other funds	84,558		51,109	33,449
Fiduciary deposits	<u>1,626,878</u>	<u>18,683,811</u>	<u>19,263,452</u>	<u>1,047,237</u>
Total Liabilities	<u>\$ 1,846,945</u>	<u>\$ 18,683,811</u>	<u>\$ 19,372,107</u>	<u>\$ 1,158,649</u>



Single Audits

**LEARN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
United States Department of Agriculture				
<i>Passed Through the State of Connecticut Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	12060-SDE64370-20560	\$ 584,498	
School Breakfast Program	10.553	12060-SDE64370-20508	223,291	
Total United States Department of Agriculture				\$ 807,789
United States Department of Education				
<i>Passed Through the State of Connecticut Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2017		24,891
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2018		349,908
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679-2017		44,292
				419,091
Career and Technical Education -- Basic Grants to States	84.048	12060-SDE64370-20742-2018	\$ 62,084	68,466
Education for Homeless Children and Youth	84.196	12060-SDE64370-20770-2017		10,000
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2018		14,464
Improving Teacher Quality State Grants	84.367	12060-SDE64370-20858-2017		8,136
				22,600
English Language Acquisition State Grants	84.365	12060-SDE64370-20868-2018	71,250	109,027
Title IV - Student Support	84.424A	12060-SDE64370-22854-2018		9,442
Emergency Impact Aid	84.938C	12060-SDE22911-82010		4,500
<i>Direct:</i>				
Magnet School Assistance	84.165A		719,536	1,412,777
Total United States Department of Education			852,870	2,055,903
United States Social Security Administration				
<i>Passed Through the State of Connecticut Department of Rehabilitation Services:</i>				
Disability Insurance/SSI Cluster:				
Social Security Disability Insurance	96.001	12060-SDR63710-20821		120
Total Federal Awards			\$ 852,870	\$ 2,863,812

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, 2018

1. 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, 2018. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

3. 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, 2018**

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 program:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster

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, 2018. 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 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, 2018.

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
December 11, 2018

**LEARN
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018**

State Grantor/Pass-Through Grantor/ Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Department of Education			
Family Resource Centers	11000-SDE64370-16110	\$	100,000
Child Nutrition State Matching Grant	11000-SDE64370-16211		10,945
Health Foods Initiative	11000-SDE64370-16212		23,770
Bilingual Education	11000-SDE64370-17042		11,025
Interdistrict Cooperation	11000-SDE64370-17045		183,137
School Breakfast Program	11000-SDE64370-17046		20,258
Magnet Schools	11000-SDE64370-17057		<u>12,908,965</u>
Total Department of Education			<u>13,258,100</u>
Office of Early Childhood			
Child Care Quality Enhancement	11000-OEC64845-16158	\$	10,334
Early Care and Education	11000-OEC64845-16274	1,441,045	1,510,634
School Readiness Quality Enhancement	11000-OEC64845-17097	<u>6,892</u>	6,892
Birth to Three Program	11000-OEC64855-12192		462,486
Birth to Three Program - Passed through the Department of Social Services			110,108
Birth to Three - MOA (State)	12060-OEC64855-90667		<u>110,102</u>
Total Office of Early Childhood		<u>1,458,271</u>	<u>2,210,556</u>
Department of Social Services			
<i>Passed Through the Eastern Connecticut Regional Educational Service Center:</i>			
Teen Pregnancy Prevention	11000-DSS60785-16177		<u>71,250</u>
Total State Financial Assistance		\$ <u>1,458,271</u>	\$ <u>15,539,906</u>

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, 2018

NOTE 1 - 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, 2018. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2018**

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:

State Grantor and Program	State Core-CT Number	Expenditures
Department of Education: Magnet Schools	11000-SDE64370-17057	\$ 12,908,965
Office of Early Childhood: Early Care and Education	11000-OEC64845-16274	1,510,634
Dollar threshold used to distinguish between type A and type B programs:		\$ 310,798

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

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

Report on Compliance for Each Major State Program

We have audited LEARN's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of LEARN's major state programs for the year ended June 30, 2018. LEARN's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of LEARN's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about LEARN's compliance with those requirements and performing 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 each major state program. However, our audit does not provide a legal determination of LEARN's compliance.

Opinion on Each Major State Program

In our opinion, LEARN complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 11, 2018

**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, 2018, and the related notes to the financial statements, which collectively comprise LEARN's basic financial statements, and have issued our report thereon dated December 11, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 11, 2018