

**EASTERN CONNECTICUT REGIONAL
EDUCATIONAL SERVICE CENTER**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastern Connecticut Regional Educational Service Center
Hampton, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Connecticut Regional Education Service Center (EASTCONN), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise EASTCONN's basic financial statements as listed in the table of contents.

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 EASTCONN, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EASTCONN and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EASTCONN's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EASTCONN's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EASTCONN's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise EASTCONN's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2024, on our consideration of EASTCONN'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 EASTCONN'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 EASTCONN's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

West Hartford, Connecticut
May 23, 2024

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

This discussion and analysis of Eastern Connecticut Regional Educational Service Center's (EASTCONN) financial performance is provided by management to provide an overview of EASTCONN's financial activities for the fiscal year ended June 30, 2023. Please read this MD&A in conjunction with EASTCONN's financial statements, Exhibits I to IX.

Financial Highlights

- Net position of our governmental activities decreased \$ 1.83 million.
- During the year, EASTCONN had governmental program revenues of \$ 50.9 million and expenses of \$ 52.8 million.
- The General Fund reported a deficit fund balance this year of \$ 643 thousand, a decrease of \$128 thousand for FY2022-23.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of change in net position (Exhibits I and II, respectively) provide information about the activities of EASTCONN as a whole and present a longer-term view of EASTCONN's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report EASTCONN's operations in more detail than the government-wide statements by providing information about EASTCONN's most significant funds. The remaining statements provide financial information about activities for which EASTCONN acts solely as a trustee or agent for the benefit of those outside of the agency.

Government-Wide Financial Statements

The analysis of EASTCONN as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about EASTCONN as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report EASTCONN's net position and changes in them. EASTCONN's net position, the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure EASTCONN's financial health, or financial position. Over time, increases or decreases in EASTCONN's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in EASTCONN's revenue sources and the condition of EASTCONN's capital assets, to assess the overall health of EASTCONN.

In the statement of net position and the statement of activities, EASTCONN reports its activities as follows:

- *Governmental Activities* - EASTCONN's basic services are reported here, including education. Charges for services, plus state and federal grants, finance most of these activities.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds, not EASTCONN as a whole. EASTCONN establishes many funds to help control and manage financial activities for particular purposes (such as the Adult Education Fund) or to show that it is meeting legal responsibilities for using grants and other money (such as grants received for education from the Educational Grants Fund). EASTCONN's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of EASTCONN's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of EASTCONN's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance EASTCONN's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V, VI and VII)* - When EASTCONN charges customers for the services it provides, whether to outside customers or to other units of EASTCONN, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for EASTCONN's other programs and activities, such as EASTCONN's Health Insurance Internal Service Fund.
- *Fiduciary Funds (Exhibit VIII and IX)* - All of EASTCONN's fiduciary accounts are reported in the statement of fiduciary net position. These activities are excluded from EASTCONN's other financial statements because EASTCONN cannot use these assets to finance its operations. EASTCONN is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

Government-Wide Financial Analysis

EASTCONN's combined net position decreased \$1.83 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of EASTCONN's governmental activities.

**TABLE 1
NET POSITION
(In Thousands)**

	Governmental Activities	
	2023	2022
Assets:		
Current and Other Assets	\$ 5,729	\$ 6,488
Capital Assets, Net of Accumulated Depreciation	17,102	19,604
Total Assets	<u>22,831</u>	<u>26,092</u>
Deferred Outflows of Resources	10	12
Liabilities:		
Long-Term Debt Outstanding	4,754	5,391
Other Liabilities	7,206	7,953
Total Liabilities	<u>11,960</u>	<u>13,344</u>
Deferred Inflows of Resources	<u>373</u>	<u>421</u>
Net Position:		
Net Investment in Capital Assets	12,766	14,637
Restricted	74	62
Unrestricted	<u>(2,332)</u>	<u>(2,360)</u>
Total Net Position	<u>\$ 10,508</u>	<u>\$ 12,339</u>

Net position of EASTCONN's governmental activities decreased from \$12.3 million to \$10.5 million. Unrestricted net position - the part of net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation, or other requirements – is the same in 2023 as 2022 of (\$ 2.3) million.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

**TABLE 2
CHANGE IN NET POSITION
(In Thousands)**

	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues:		
Charges for Services	\$ 26,268	\$ 24,638
Operating Grants and Contributions	24,474	23,026
General Revenues:		
Unrestricted Investment Earnings	1	-
Other General Revenues	171	224
Total Revenues	<u>50,914</u>	<u>47,888</u>
Program Expenses:		
Education	52,475	48,307
Interest on Long-Term Debt	270	226
Total Program Expenses	<u>52,745</u>	<u>48,533</u>
Decrease in Net Position	(1,831)	(645)
Net Position - Beginning of Year	<u>12,339</u>	<u>12,984</u>
Net Position - End of Year	<u>\$ 10,508</u>	<u>\$ 12,339</u>

EASTCONN's total revenues were \$ 50.9 million. The total cost of all programs and services was \$52.8 million. Operating grants and contributions revenues were up 1.06%, and charges for services increased by 1.07%. Education expenses were up by \$ 4.202 million. Intra-program transfers are removed from both revenues and expenditures.

EASTCONN Funds Financial Analysis

Governmental Funds

As EASTCONN completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined deficit fund balance of \$610 thousand. Included in this year's total change in fund balance is a decrease of \$ 127.8 thousands in EASTCONN's General Fund. The decrease in the General Fund is largely due to the difficult economic environment facing regional education services centers like EASTCONN, and the public-school districts it serves and additional hardships stemming from COVID-19. Management is focusing on strategies to maintain and expand transportation services and continues to focus on program enrollments and cost containment strategies in order to continue providing high quality, cost effective programs and services to EASTCONN's community.

**EASTCONNECT REGIONAL EDUCATIONAL SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

Proprietary Funds

As EASTCONN completed the year, its proprietary funds (as presented in the statement of net position - Exhibit V) reported combined total net position of \$1.4 million, which is a decrease of \$575 thousand from last year's total of \$2.0 million. The proprietary funds' assets are being managed to meet EASTCONN's operating requirements, and in turn minimize the financial burden on program budgets in the governmental funds.

General Fund Highlights

EASTCONN's General Fund experienced a net decrease in fund balance for FY2022-23 of \$128 thousand, as compared to the FY2021-22 decrease of \$1.6 million. Throughout Fiscal Year 2022-23 the General Fund budget was amended to reflect current revenue and expense projections and by year-end resulted in projected revenue of \$39.8 million and expenses of \$39.9 million. Actual results (budgetary basis) for revenue and expenses were \$35.7 million and \$35.8 million, respectively.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, EASTCONN had \$17.1 million invested (net of depreciation) in a broad range of capital assets, including land, buildings, vehicles and equipment, furniture and fixtures, and construction in progress - Table 3. This amount represents a net decrease (including additions and deductions) of \$2.5 million or 13% from last year.

**TABLE 3
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)
(In Thousands)**

	Governmental Activities	
	2023	2022
Land	\$ 97	\$ 97
Buildings and Improvements	12,191	13,478
Machinery and Equipment	113	213
Vehicles	2,639	3,476
Right-to-Use - Buildings	2,062	2,340
Total	\$ 17,102	\$ 19,604

For Fiscal Year 2023-24, capital acquisitions will be addressed on an as needed basis, including vehicle replacement in the transportation fleet and ongoing facility and technology upgrades.

More detailed information about EASTCONN's capital assets is presented in Notes 1 and 5 to the financial statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

Long-Term Debt

At June 30, 2023, EASTCONN had \$2.2 million in outstanding debt versus \$2.6 million last year, as shown in Table 4.

**TABLE 4
OUTSTANDING DEBT, AT YEAR-END
(In Thousands)**

	Governmental Activities	
	2023	2022
Notes Payable	\$ 1,514	\$ 1,715
Mortgage Payable	696	874
Total	\$ 2,210	\$ 2,589

Other obligations include accrued vacation pay. More detailed information about EASTCONN's long-term liabilities is presented in Note 9 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In May 2023, EASTCONN's Board of Directors approved an operating budget for FY2023-24, as submitted by EASTCONN's management. Several issues have been identified as key factors including targeted student enrollments, maintaining a stable cost structure that adequately funds the operations of specific programs, capital improvements that have been deferred in prior budgets, and other overhead expenditures. Total FY2023-24 General Fund revenues are budgeted at \$34.3 million, compared to actual FY2022-23 results of \$36 million.

EASTCONN's FY 2023-24 restricted and unrestricted cost rates remained the same as the FY 2022-23 rates. The indirect cost rates represent the portion of allowable indirect costs that can be charged to state and federal grants. The unchanged rates should allow the General Fund to remain stable. EASTCONN's restricted and unrestricted cost rates for FY 2022-23 are 9.41% and 10.78% respectively, which, as previously stated, were the same in the prior two fiscal years.

The State of Connecticut budget pose uncertain risks for EASTCONN as well as school districts across the state. The reductions in available funds and Education Cost Sharing leave districts in our region with difficult decisions about eliminating positions and reducing costs for services provided by EASTCONN.

There continues to be increased challenges for funds allocated to school districts to purchase services from EASTCONN. These factors, in addition to previously deferred capital improvements and multi-year contracts that did not provide adequate funding for growth, will force us here at EASTCONN to look at cost containment, the effectiveness and cost of our current programs and the student enrollment in our various programs. We will monitor our goals, to align and invest in growing and maintaining our agency stability.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

Contacting EASTCONN's Financial Management

This financial report is designed to provide a general overview of EASTCONN's finances and to show EASTCONN's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Eastern Connecticut Regional Educational Service Center, 376 Hartford Turnpike, Hampton, Connecticut 06247.

BASIC FINANCIAL STATEMENTS

EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,771,631
Receivables	2,909,131
Prepaid Items	48,717
Capital Assets:	
Assets Not Being Depreciated/Amortized	97,499
Assets Being Depreciated/Amortized, Net	17,004,049
Total Assets	22,831,027
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to OPEB	10,636
LIABILITIES	
Cash Overdraft	983,113
Accounts and Other Payables	3,792,525
Unearned Revenue	1,280,259
Short-Term Debt	1,150,000
Noncurrent Liabilities:	
Due Within One Year	1,277,758
Due in More Than One Year	3,476,477
Total Liabilities	11,960,132
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to OPEB	373,131
NET POSITION	
Net Investment in Capital Assets	12,765,986
Restricted for Grants	74,088
Unrestricted	(2,331,674)
Total Net Position	\$ 10,508,400

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Education	\$ 52,474,430	\$ 26,267,612	\$ 24,473,892	\$ -	\$ (1,732,926)
Debt Service	270,120	-	-	-	(270,120)
Total Governmental Activities	<u>\$ 52,744,550</u>	<u>\$ 26,267,612</u>	<u>\$ 24,473,892</u>	<u>\$ -</u>	<u>(2,003,046)</u>
GENERAL REVENUES					
					1,023
					171,143
					<u>172,166</u>
CHANGE IN NET POSITION					
					(1,830,880)
					<u>12,339,280</u>
					<u>\$ 10,508,400</u>

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	<u>General</u>	<u>Educational Grants</u>	<u>Early Childhood Grants</u>	<u>Workforce One</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 1,555,647	\$ 474,277	\$ -	\$ 26,907	\$ 2,056,831
Receivables	1,740,533	108,966	546,549	499,499	13,584	2,909,131
Prepaid Assets	48,221	-	496	-	-	48,717
	<u>48,221</u>	<u>-</u>	<u>496</u>	<u>-</u>	<u>-</u>	<u>48,717</u>
Total Assets	<u>\$ 1,788,754</u>	<u>\$ 1,664,613</u>	<u>\$ 1,021,322</u>	<u>\$ 499,499</u>	<u>\$ 40,491</u>	<u>\$ 5,014,679</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts and Other Payables	\$ 1,439,937	\$ 1,109,996	\$ 454,368	\$ 218,547	\$ 29,313	\$ 3,252,161
Due to Other Funds	806,013	-	-	271,800	14,570	1,092,383
Unearned Revenue	185,855	592,882	501,522	-	-	1,280,259
Total Liabilities	<u>2,431,805</u>	<u>1,702,878</u>	<u>955,890</u>	<u>490,347</u>	<u>43,883</u>	<u>5,624,803</u>
FUND BALANCES						
Nonspendable	48,221	-	496	-	-	48,717
Restricted	-	-	64,936	9,152	-	74,088
Committed	-	-	-	-	24,998	24,998
Unassigned	(691,272)	(38,265)	-	-	(28,390)	(757,927)
Total Fund Balances	<u>(643,051)</u>	<u>(38,265)</u>	<u>65,432</u>	<u>9,152</u>	<u>(3,392)</u>	<u>(610,124)</u>
Total Liabilities and Fund Balances	<u>\$ 1,788,754</u>	<u>\$ 1,664,613</u>	<u>\$ 1,021,322</u>	<u>\$ 499,499</u>	<u>\$ 40,491</u>	<u>\$ 5,014,679</u>

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balances - Governmental Funds (Exhibit III) \$ (610,124)

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

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

Governmental Capital Assets	38,891,442
Less: Accumulated Depreciation/Amortization	<u>(25,557,632)</u>
Net Capital Assets	13,333,810

Differences between expected and actual experiences and changes of assumptions and other inputs for the other post-employment benefits (OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position:

Deferred Outflows - OPEB Related	10,636
Deferred Inflows - OPEB Related	(373,131)

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.

1,394,890

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

Mortgage Payable	(696,328)
Interest Payable on Mortgage	(7,538)
Lease Liability	(2,125,142)
Total OPEB Liability	(236,314)
Compensated Absences	<u>(182,359)</u>

Net Position of Governmental Activities as Reported on the Statement of Net Position (Exhibit I)

\$ 10,508,400

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	General	Educational Grants	Early Childhood Grants	Workforce One	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Intergovernmental	\$ 7,713,965	\$ 2,293,817	\$ 8,563,781	\$ 3,422,056	\$ 1,834,519	\$ 23,828,138
Charges for Services	25,864,685	538,448	3,522	-	32,100	26,438,755
Income on Investments	1,023	-	-	-	-	1,023
Total Revenues	<u>33,579,673</u>	<u>2,832,265</u>	<u>8,567,303</u>	<u>3,422,056</u>	<u>1,866,619</u>	<u>50,267,916</u>
EXPENDITURES						
Current:						
Education	33,131,397	2,879,693	8,561,329	3,412,956	1,914,155	49,899,530
Debt Service	323,250	-	-	-	218,096	541,346
Total Expenditures	<u>33,454,647</u>	<u>2,879,693</u>	<u>8,561,329</u>	<u>3,412,956</u>	<u>2,132,251</u>	<u>50,440,876</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	125,026	(47,428)	5,974	9,100	(265,632)	(172,960)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	252,796	252,796
Transfers Out	(252,796)	-	-	-	-	(252,796)
Total Other Financing Sources (Uses)	<u>(252,796)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,796</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(127,770)	(47,428)	5,974	9,100	(12,836)	(172,960)
Fund Balances - Beginning of Year	<u>(515,281)</u>	<u>9,163</u>	<u>59,458</u>	<u>52</u>	<u>9,444</u>	<u>(437,164)</u>
FUND BALANCES - END OF YEAR	<u>\$ (643,051)</u>	<u>\$ (38,265)</u>	<u>\$ 65,432</u>	<u>\$ 9,152</u>	<u>\$ (3,392)</u>	<u>\$ (610,124)</u>

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Governmental Funds (Exhibit IV) \$ (172,960)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Depreciation Expense (1,565,330)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets. (1,696)

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 treatment of long-term debt and related items are as follows:

Lease Principal Payments 250,624
Mortgage Principal Payments 177,992

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 the governmental funds:

Compensated Absences 4,521
Accrued Interest 1,930
Change in Total OPEB Liabilities 2,150
Changes in OPEB Related Deferred Outflows and Inflows of Resources 46,676

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities. (574,787)

Change in Net Position of Governmental Activities as Reported on the Statement of Activities (Exhibit III) \$ (1,830,880)

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023**

	Governmental Activities
	Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 714,800
Due from Other Funds	1,092,383
Noncurrent Assets:	
Capital Assets	12,886,318
Accumulated Depreciation	(9,118,580)
Total Assets	5,574,921
LIABILITIES	
Current Liabilities:	
Cash Overdraft	983,113
Accounts and Other Payables	1,582
Accrued Claims Payable	531,244
Short-Term Debt	1,150,000
Notes Payable	633,456
Noncurrent Liabilities:	
Notes Payable, Less Current Portion	880,636
Total Liabilities	4,180,031
NET POSITION	
Net Investment in Capital Assets	2,253,646
Unrestricted	(858,756)
Total Net Position	\$ 1,394,890

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023**

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for Services	\$ 7,504,272
Other	65,735
Total Operating Revenues	7,570,007
OPERATING EXPENSES	
Benefit Payments	6,824,569
Depreciation	1,160,905
Total Operating Expenses	7,985,474
OPERATING LOSS	(415,467)
NONOPERATING EXPENSE	
Interest Expense	(159,320)
Net Nonoperating Expense	(159,320)
CHANGE IN NET POSITION	(574,787)
Total Net Position - Beginning of Year	1,969,677
TOTAL NET POSITION - END OF YEAR	\$ 1,394,890

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023**

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from EASTCONN Funds and Programs	\$ 8,437,376
Cash Payments to Vendors	<u>(6,907,509)</u>
Net Cash Provided by Operating Activities	1,529,867
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Notes Payable	495,780
Purchase of Capital Assets	(227,411)
Principal Payments on Notes Payable	(697,028)
Interest Paid on Notes Payable	<u>(159,320)</u>
Net Cash Used by Capital and Related Financing Activities	(587,979)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Short-Term Debt	702,130
Cash Paid to Funds	<u>(1,301,752)</u>
Net Cash Used by Noncapital Financing Activities	<u>(599,622)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	342,266
Cash and Cash Equivalents - Beginning of Year	<u>372,534</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 714,800</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (415,467)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,160,905
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	628
(Increase) Decrease in Prepaid Items	881,363
Increase (Decrease) in Accounts Payable	(3,976)
Increase (Decrease) in Accrued Claims Payable	(78,964)
Increase (Decrease) in Due to Other Funds	<u>(14,622)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,529,867</u></u>

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 6,884,246
Investments	3,109,809
Receivables	<u>520,605</u>
Total Assets	<u>10,514,660</u>
LIABILITIES	
Accounts Payable	<u>900</u>
NET POSITION	
Restricted for:	
Organizations and Other Governments	<u>10,513,760</u>
Total Net Position	<u><u>\$ 10,513,760</u></u>

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Custodial Funds
ADDITIONS	
Contributions:	
Employer	\$ 30,895,770
Investments Earnings	55,481
Fees	7,615
Refunds	2,499,533
Total Additions	33,458,399
DEDUCTIONS	
Health Insurance Claims and Premiums	33,138,921
Administrative Expense	514,548
Miscellaneous	2,902
Total Deductions	33,656,371
NET CHANGE IN FIDUCIARY NET POSITION	(197,972)
Net Position - Beginning of Year	10,711,732
NET POSITION - END OF YEAR	\$ 10,513,760

See accompanying Notes to Financial Statements.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Eastern Connecticut Regional Educational Service Center (EASTCONN) 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 EASTCONN are described below.

A. Reporting Entity

EASTCONN is a regional educational service center as defined by Section 10-66a of the General Statutes of the State of Connecticut.

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

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 EASTCONN. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary 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. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including lease liabilities, as well as expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving EASTCONN the right to use lease assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Charges for services 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.

EASTCONN reports the following major governmental funds:

General Fund

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

Educational Grants Fund

The Educational Grants Fund accounts for educational programs funded by state and federal grants. The major sources of revenues for this fund are governmental grants.

Early Childhood Grants Fund

The Early Childhood Grants Fund accounts for educational programs funded by state and federal grants. The major sources of revenues for this fund are governmental grants.

Workforce One Fund

The Workforce One Fund accounts for educational programs funded by federal grants and contracts. The major sources of revenues for this fund are governmental grants.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, EASTCONN reports the following fund types:

Internal Service Funds

The Health Insurance Internal Service Fund is used to account for the health insurance benefits to employees of EASTCONN, the Unemployment Compensation Fund is used to account for unemployment benefits to former employees, and the Equipment Leasing Fund provides vehicles and equipment to various EASTCONN programs.

Custodial Funds

Custodial Funds are used to account fiduciary activities of various self-funding activities and programs. The Custodial Funds include the Superintendent's Fund and Eastern Connecticut Health Insurance Program.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of EASTCONN's internal service funds are charges to customers for sales and services. Operating expenses for the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is EASTCONN's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned, then unassigned.

D. Deposits and Investments

EASTCONN's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

State statutes authorize EASTCONN 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 EASTCONN 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). All other outstanding balances between funds are reported as "due to/from other funds."

Accounts receivable include amounts due from program and contracted services as well as grants. Based on historical experience, grants are considered fully collectible and an allowance for doubtful accounts is not made. EASTCONN maintains other receivables that are considered delinquent and written off when all attempts to collect have been exhausted. When appropriate, management maintains an allowance for doubtful accounts, which is based on a review of significant balance and past collection experience. As of June 30, 2023, there was no allowance for uncollectible accounts.

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.

G. Capital Assets

Capital assets, which include land, buildings, vehicles, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined 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 estimated 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.

EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

Land and construction in progress are not depreciated. The other tangible and intangible property, plant and equipment of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Building Improvements	20 Years
Vehicles	5 Years
Machinery and Equipment	5 to 10 Years
Furniture and Fixtures	5 Years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

H. Compensated Absences

Employees are paid by prescribed formula for absences due to vacation or sickness.

I. Total Other Post-Employment 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.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type 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 any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-Term Obligations (Continued)

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.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets 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. EASTCONN reports a deferred outflow of resources related to OPEB in the government-wide statement of net position. A deferred outflow of resources related OPEB results from differences between expected and actual experience, changes in assumptions, or other inputs.

These amounts are deferred and included in OPEB expense in a systematic and rational manner.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets 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. EASTCONN reports a deferred inflow of resources related to OPEB in the government-wide statement of net position. A deferred inflow of resources related OPEB results from differences between expected and actual experience, changes in assumptions, or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner.

L. Equity

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Equity (Continued)

Restricted Net Position – Net positions are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. EASTCONN currently has no assets under restriction.

Unrestricted Net Position – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Nonspendable Fund Balance – This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance – This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

Committed Fund Balance – This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Board of Directors). Amounts remain committed until action is taken by the Board of Directors to remove or revise the limitations.

Assigned Fund Balance – This balance represents amounts constrained for the intent to be used for a specific purpose by the Board of Directors that has been delegated authority to assign amounts.

Unassigned Fund Balance – This represents fund balance in the General Fund in excess of nonspendable, restricted, committed, and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is EASTCONN’s policy to use restricted resources first, then unrestricted resources as they are needed.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Use of Estimates

The preparation of financial statements in accordance 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The budget for the General Fund programs is authorized by the Board of Directors. EASTCONN does not have legally adopted annual budgets for the special revenue funds. Budgets for the various special revenue funds are established in accordance with the requirements of the grantor agencies. The following is a summary of procedures utilized for establishing the budgetary data for the General Fund reflected in the required supplementary information:

- Approval of Annual Budget – The Board of Directors approves a preliminary budget for EASTCONN by the May Board meeting. Final adjustments to the budget may be made at the June meeting of the Board. In acting upon the budgets, the Board of Directors has authority to determine the total amount to be appropriated, and the Executive Director has authority to expend the total sum appropriated as provided under the regulations of EASTCONN and the grantor. The Board of Directors amends and modifies the budget as it deems necessary to preserve a balanced relation between receipts and expenditures. During the fiscal year, the final appropriations budget was decreased by \$764.
- Transfer of Funds – EASTCONN maintains flexibility in the transfer of funds from one program to another on approval of the Board of Directors.

B. Deficit Fund Equity

Fund balance and net position deficits existed as of June 30, 2023, in the following funds:

General Fund	\$	643,051
Education Grants		38,265
Nonmajor Governmental Funds:		
Capital Projects		14,570
Adult Education		13,820

These deficits will be eliminated by future fund transfers from General Fund and charges for services.

EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 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 the Statutes, 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 municipalities 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 municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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.

A. Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, EASTCONN’S deposit will not be returned. EASTCONN 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.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Deposit Custodial Credit Risk (Continued)

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$12,186,090 of EASTCONN's bank balance of \$12,936,090 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 10,892,481
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in EASTCONN's Name	1,293,609
Total Amount Subject to Custodial Credit Risk	\$ 12,186,090

B. Investments

As of June 30, 2023, EASTCONN had the following investments:

Investment Type	Credit Rating	Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
Interest-Bearing investments:					
Certificates of Deposit	*	\$3,109,809	\$3,109,809	\$ -	\$ -

* Subject to coverage by Federal Depository Insurance and collateralization.

Investment Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, EASTCONN will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Credit Risk

EASTCONN 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.

Interest Rate Risk

EASTCONN 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.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 RECEIVABLES

Receivables as of year-end for EASTCONN's individual major funds and nonmajor governmental funds and internal service funds in the aggregate are as follows:

	General	Educational Grants	Early Childhood Grants	Workforce One	Aggregate Remaining Funds	Total
Receivables:						
Accounts	\$ 1,436,583	\$ 50,024	\$ 13,600	\$ 21,909	\$ -	\$ 1,522,116
Intergovernmental	303,950	58,942	532,949	477,590	13,584	1,387,015
Total Receivables	<u>\$ 1,740,533</u>	<u>\$ 108,966</u>	<u>\$ 546,549</u>	<u>\$ 499,499</u>	<u>\$ 13,584</u>	<u>\$ 2,909,131</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 97,499	\$ -	\$ -	\$ 97,499
Total Capital Assets Not Being Depreciated	97,499	-	-	97,499
Capital Assets Being Depreciated:				
Buildings and Improvements	37,696,032	126,327	-	37,822,359
Machinery and Equipment	1,556,439	-	-	1,556,439
Vehicles	9,320,781	97,305	-	9,418,086
Furniture and Fixtures	264,990	-	-	264,990
Right-to-Use - Buildings	2,618,387	-	-	2,618,387
Total Capital Assets Being Depreciated	51,456,629	223,632	-	51,680,261
Less: Accumulated Depreciation for:				
Buildings and Improvements	(24,217,804)	(1,413,843)	-	(25,631,647)
Machinery and Equipment	(1,343,743)	(100,021)	-	(1,443,764)
Vehicles	(5,845,070)	(934,001)	-	(6,779,071)
Furniture and Fixtures	(264,990)	-	-	(264,990)
Right-to-Use - Buildings	(278,370)	(278,370)	-	(556,740)
Total Accumulated Depreciation	<u>(31,949,977)</u>	<u>(2,726,235)</u>	<u>-</u>	<u>(34,676,212)</u>
Total Capital Assets Being Depreciated, Net	<u>19,506,652</u>	<u>(2,502,603)</u>	<u>-</u>	<u>17,004,049</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,604,151</u>	<u>\$ (2,502,603)</u>	<u>\$ -</u>	<u>\$ 17,101,548</u>

Depreciation and amortization on capital assets for the year ended June 30, 2023, totaling \$2,726,235 was charged to the Education function.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund balances as of June 30, 2023, is presented below:

	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 806,013
Workforce One	-	271,800
Nonmajor Governmental Funds	-	14,570
Internal Service Funds	1,092,383	-
Total	\$ 1,092,383	\$ 1,092,383

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur.

Interfund transfers during the year ended June 30, 2023 were as follows.

	Transfer In Nonmajor Governmental Funds
Transfer Out: General Fund	\$ 252,796

Transfers are used to move revenues from the General Fund to the Debt Service Fund to pay for principal and interest on debt in the amount of \$218,096, and \$34,700 to Adult Education Fund.

NOTE 7 SHORT-TERM DEBT

EASTCONN has a \$2,000,000 line of credit that is due and payable on demand. The line bears interest at a rate equal to the Prime Rate on a floating basis. The interest rate was 8.25% on June 30, 2023. \$1,150,000 was the outstanding borrowing as of June 30, 2023, and is secured by EASTCONN's deposit accounts, instruments, inventory, accounts receivable, and investment property. The line of credit agreement includes certain financial and other covenants.

Short-term debt activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities: Line of Credit Payable	\$ 447,870	\$ 702,130	\$ -	\$ 1,150,000

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Mortgage Payable from					
Direct Borrowing	\$ 874,320	\$ -	\$ 177,992	\$ 696,328	\$ 187,051
Notes Payable from					
Direct Borrowing	1,715,340	495,780	697,028	1,514,092	633,456
Lease Liability	2,375,766	-	250,624	2,125,142	258,892
Total OPEB Liability	238,464	-	2,150	236,314	16,000
Compensated Absences	186,880	182,359	186,880	182,359	182,359
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,390,770</u>	<u>\$ 678,139</u>	<u>\$ 1,314,674</u>	<u>\$ 4,754,235</u>	<u>\$ 1,277,758</u>

Mortgage payable, compensated absences and the total OPEB liability are generally liquidated by the General Fund. Notes payable is shown as a liability of the Equipment Leasing Fund, and the liability will be liquidated from that fund.

Mortgage Payable from Direct Borrowing

On October 13, 2011, EASTCONN entered into a \$2,300,000 mortgage to cover the construction costs of a building annex on its Hampton, Connecticut, property. The mortgage is payable in quarterly installments beginning in January 2012, at an interest rate of 4.875%. The amortization of the mortgage is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 187,051	\$ 31,045	\$ 218,096
2025	196,545	21,551	218,096
2026	206,441	11,655	218,096
2027	106,291	1,597	107,888
Total	<u>\$ 696,328</u>	<u>\$ 65,848</u>	<u>\$ 762,176</u>

Notes Payable from Direct Borrowing

On August 20, 2019, EASTCONN entered into a \$866,250 note payable with Berkshire Bank to purchase 21 vehicles for EASTCONN's fleet. The note is payable in monthly installments beginning September 20, 2019, at an interest rate of 4.05% and collateralized by the purchased vehicle capital assets. The note contains covenants and restrictions which require EASTCONN to maintain certain financial ratios. Events of default include payment default or default of other terms within the agreement including noncompliance with financial covenants, false statements made to the lender, insolvency, defective collateralization, commencement of foreclosure or forfeiture proceedings, or an adverse change in EASTCONN's financial position.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes Payable from Direct Borrowing (Continued)

Such a default could result in the lender exercising its interest in the collateral of the loan. The balance outstanding on the note was \$163,158 as of June 30, 2023.

On August 24, 2020, EASTCONN entered into a \$1,896,220 note payable with Berkshire Bank to purchase 46 vehicles for EASTCONN's fleet. The note is payable in monthly installments beginning September 24, 2020, at an interest rate of 3.56% and collateralized by the purchased vehicle capital assets. The note contains covenants and restrictions which require EASTCONN to maintain certain financial ratios. Events of default include payment default or default of other terms within the agreement including noncompliance with financial covenants, false statements made to the lender, insolvency, defective collateralization, commencement of foreclosure or forfeiture proceedings, or an adverse change in EASTCONN's financial position. Such a default could result in the lender exercising its interest in the collateral of the loan. The balance outstanding on the note was \$864,033 as of June 30, 2023.

On May 10, 2023, EASTCONN entered into a \$495,780 note payable with Berkshire Bank to purchase 12 vehicles for EASTCONN's fleet. The note is payable in monthly installments beginning June 10, 2023, at an interest rate of 6.92% and collateralized by the purchased vehicle capital assets. The note contains covenants and restrictions which require EASTCONN to maintain certain financial ratios. Events of default include payment default or default of other terms within the agreement including noncompliance with financial covenants, false statements made to the lender, insolvency, defective collateralization, commencement of foreclosure or forfeiture proceedings, or an adverse change in EASTCONN's financial position. Such a default could result in the lender exercising its interest in the collateral of the loan. The balance outstanding on the note was \$486,901 as of June 30, 2023.

The amortization of the notes payable is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 633,456	\$ 61,024	\$ 694,480
2025	556,505	33,120	589,625
2026	197,907	13,827	211,734
2027	126,224	4,478	130,702
Total	<u>\$ 1,514,092</u>	<u>\$ 112,449</u>	<u>\$ 1,626,541</u>

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Lease Liability

EASTCONN leases buildings for various terms under long-term, noncancelable, lease agreements. These leases expire at various dates through October 2036. The future minimum lease payments under lease agreements are as follows:

<u>Fiscal Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 258,892	\$ 64,358
2025	267,433	55,817
2026	234,027	47,223
2027	112,988	42,262
2028	116,715	38,535
2029-2033	643,934	132,316
2034-2037	491,153	26,347
Total	<u>\$ 2,125,142</u>	<u>\$ 406,858</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

Buildings	\$ 2,618,387
Less: Accumulated Depreciation	<u>(556,740)</u>
Total	<u>\$ 2,061,647</u>

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

EASTCONN's Retirement System

EASTCONN provides pension benefits for all of its nonteacher full-time employees through a defined contribution plan established on July 1, 1993. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon completion of 24 months continuous employment. Each participant may contribute between 1% and 5% of regular salary. EASTCONN's contribution equals each participant's contribution. Each participant may elect to contribute additional amounts, which are not matched by EASTCONN, subject to Internal Revenue Service regulations. All contributions are fully vested.

EASTCONN's total payroll for the year ended June 30, 2023 was \$27,337,067. EASTCONN's contributions were calculated using eligible regular salaries of \$6,474,918. Both EASTCONN and the covered employees made contributions amounting to \$175,967 (2.72% of eligible regular salaries) from each source, or \$411,296 in total. Additional nonmatched employee contributions were \$151,515.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

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

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension (Continued)

C. Contributions (Continued)

Employer (School Districts) (Continued)

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.

For the year ended June 30, 2023, the amount of "on-behalf" contributions made by the state was \$2,317,168. This is recognized in the General Fund as intergovernmental revenues and education expenditures.

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, 2023, EASTCONN 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 EASTCONN 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 EASTCONN were as follows:

EASTCONN's Proportionate Share of the Net Pension Liability	\$	-
State's Proportionate Share of the Net Pension Liability Associated with EASTCONN (1)		<u>29,389,729</u>
Total		<u><u>\$ 29,389,729</u></u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. At June 30, 2023, EASTCONN has no proportionate share of the net pension liability.

For the year ended June 30, 2023, EASTCONN recognized pension expense and revenue of \$2,840,550 in Exhibit II.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension (Continued)

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary Increase	3.00% - 6.50%, Including Inflation
Investment Rate of Return	6.90%, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2019.

Assumption changes since the prior year are as follows:

- There were no changes in assumptions that affected the measurement of the TPL since the prior measurement date.

Benefit changes since the prior year are as follows:

- Legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019.

Cost-of-Living Allowance

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%.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension (Continued)

E. Actuarial Assumptions (Continued)

Cost-of-Living Allowance (Continued)

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%.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The current capital market assumptions and the target asset allocation as provided by the State of Connecticut Treasurer's Office are summarized in the following table:

<u>Asset Class</u>	<u>Expected Return</u>	<u>Target Allocation</u>
Domestic Equity Fund	5.40 %	20.00 %
Developed Market Intl. Stock Fund	6.40	11.00
Emerging Market Intl. Stock Fund	8.60	9.00
Core Fixed Income Fund	0.80	13.00
Private Credit	6.50	5.00
Emerging Market Debt Fund	3.80	5.00
High Yield Bond Fund	3.40	3.00
Real Estate Fund	5.20	19.00
Private Equity	9.40	10.00
Alternative Investments	3.10	3.00
Liquidity Fund	(0.40)	2.00
Total		<u>100.00 %</u>

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that state contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

EASTCONN'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. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

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 EASTCONN has no obligation to contribute to the plan.

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS

EASTCONN's Retiree Healthcare Plan

A. Plan Description

EASTCONN administers a single-employer, defined benefit post-retirement healthcare plan for eligible active employees and retirees. The same annual premium rates apply to both active employees and retirees, as the experience rating is derived from one common pool of participants.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
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NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

EASTCONN's Retiree Health Care Plan (Continued)

A. Plan Description (Continued)

EASTCONN currently pays for post-employment healthcare benefits on a pay-as-you-go basis. As of June 30, 2023, EASTCONN has not established a trust fund to irrevocably segregate assets to fund liability associated with the post-employment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. Administration costs are financed from current operations.

B. Benefits Provided

The EASTCONN plan provides for medical benefits for all eligible retirees. EASTCONN provides benefits primarily for certified staff. Benefits include medical, dental, vision, and pharmacy benefits. All premiums are paid by retirees with no contribution by EASTCONN.

Employees Covered by Benefit Terms

Membership in the plan consisted of the following at July 1, 2021:

Inactive Employees Currently Receiving Payments	2
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	-
Active Employees	<u>112</u>
Total	<u><u>114</u></u>

C. Total OPEB Liability

EASTCONN's total OPEB liability of \$236,314 was measured as of June 30, 2023, and was determined by the actuarial cost method valuation as of July 1, 2021.

D. Key Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.60%
Salary Increases	Graded by Service
Discount Rate	3.65%
Actuarial Cost Method	Entry Age Normal
Healthcare Cost Trend Rates	5.80%, Decreasing Annually to Ultimate Rate of 4.00% Over 51 Years

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

EASTCONN's Retiree Health Care Plan (Continued)

D. Key Assumptions and Other Inputs (Continued)

The discount rate was based on the Bond Buyer General Obligation a 20-year Bond Municipal Index.

Mortality rates were based on PubT-2010 Mortality Table for Employees and Healthy Annuitants (adjusted 105% for males and 103% for females at ages 82 and above) with generational projection of future improvements per the MP-2019 Ultimate scale. The PubT-2010 Contingent Survivor Table projected generationally per the MP-2019 Ultimate scale and set forward 1 year for both males and females is used for survivors and beneficiaries. This assumption includes a margin for improvements in longevity beyond the valuation date.

Prior mortality rates were based on RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80 projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. This assumption does not include a margin for mortality improvement beyond the valuation date.

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

E. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance - July 1, 2022	\$ 238,464
Changes for the Year:	
Service Cost	22,077
Interest on Total OPEB Liability	8,646
Effect of Economic/Demographic Gains or Losses	-
Changes of Benefit Terms	
Changes in Assumptions or Other Inputs	43
Benefit Payments	(32,916)
Net Changes	(2,150)
Balance - June 30, 2023	\$ 236,314

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

EASTCONN's Retiree Health Care Plan (Continued)

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

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

	<u>1% Decrease (2.65%)</u>	<u>Current Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
Total OPEB Liability	\$ 258,157	\$ 236,314	\$ 215,980

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 199,052	\$ 236,314	\$ 282,383

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, EASTCONN recognized OPEB expense (revenue) of \$(15,910). At June 30, 2023, EASTCONN reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 241,742
Changes of Assumptions or Other Inputs	10,636	131,389
Total	<u>\$ 10,636</u>	<u>\$ 373,131</u>

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

EASTCONN’s Retiree Health Care Plan (Continued)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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>	<u>Amount</u>
2024	\$ (46,633)
2025	(46,633)
2026	(46,633)
2027	(46,633)
2028	(46,633)
Thereafter	(129,330)
Total	<u>\$ (362,495)</u>

Other Post-Employment Benefit – Connecticut State Teachers Retirement Plan

A. Plan Description

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

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

B. Benefit Provisions

There are two types of the healthcare 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.

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NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**Other Post-Employment Benefit – Connecticut State Teachers Retirement Plan
(Continued)**

B. Benefit Provisions (Continued)

Any member who is not currently participating in Medicare Parts A & B is eligible to continue healthcare coverage with their former employer. A subsidy of up to \$220 per month for a retired member plus an additional \$220 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. A subsidy amount of \$440 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 \$440 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 healthcare coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

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

Survivor Healthcare Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$220 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.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**Other Post-Employment Benefit – Connecticut State Teachers Retirement Plan
(Continued)**

C. Eligibility (Continued)

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 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

D. Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the state of Connecticut are approved, amended, and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The state contributions are not currently actuarially funded. The state appropriates from the General Fund one-third of the annual costs of the Plan. Administrative costs of the Plan are financed by the state. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the state will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

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

For the year ended June 30, 2023, the amount of "on-behalf" contributions made by the state was \$32,774. This is recognized in the General Fund as intergovernmental revenues and education expenditures.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**Other Post-Employment Benefit – Connecticut State Teachers Retirement Plan
(Continued)**

D. Contributions (Continued)

Employer (School Districts) (Continued)

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

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

At June 30, 2023, EASTCONN 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 EASTCONN 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 EASTCONN was as follows:

EASTCONN's Proportionate Share of the Net OPEB Liability	\$	-
State's Proportionate Share of the Net OPEB Liability Associated with EASTCONN		<u>2,573,866</u>
Total	<u>\$</u>	<u>2,573,866</u>

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2022. At June 30, 2023, EASTCONN has no proportionate share of the net OPEB liability.

For the year ended June 30, 2023, EASTCONN recognized OPEB expense and revenue of \$155,146 in Exhibit II.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**Other Post-Employment Benefit – Connecticut State Teachers Retirement Plan
 (Continued)**

F. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Healthcare Costs Trend Rate	Known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.50% by 2031
Salary Increases	3.00% - 6.50%, Including Inflation
Investment Rate of Return	3.53%, Net of OPEB Plan Investment Expense, Including Inflation
Year Fund Net Position Will be Depleted	2027

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

The changes in the assumptions since the prior year are as follows:

- Discount rate changed from 2.17% to 3.53%
- Expected annual per capita claims costs were updated to better reflect anticipated Medical and prescription drug claim experience.
- The assumed age-related annual percentage increases in expected annual per capita health care claim costs were updated;
- Long-term health care cost trend rates were updated; and
- The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options were updated to better reflect anticipated plan experience.

The changes in the benefit terms since the prior year are as follows:

- There was a change in the maximum monthly subsidy amounts offered to retirees and their dependents from \$110/\$220 to \$220/\$440.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**Other Post-Employment Benefit – Connecticut State Teachers Retirement Plan
(Continued)**

F. Actuarial Assumptions (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (cash equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.98%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.53%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection was based on an actuarial valuation performed as of June 30, 2020.

In addition to the actuarial methods and assumptions of the June 30, 2022, actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2027 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**Other Post-Employment Benefit – Connecticut State Teachers Retirement Plan
(Continued)**

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate and the Discount Rate

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

I. OPEB Plan Fiduciary Net Position

Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Annual Comprehensive Financial Report at www.ct.gov.

J. Other Information

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

NOTE 11 LITIGATION

In the opinion of EASTCONN's management, after consultation with counsel, there are no unpaid or pending judgments against EASTCONN and no legal proceedings that would adversely affect the financial position of EASTCONN.

NOTE 12 FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2023 are as follows:

	General Fund	Educational Grants	Early Childhood Grants	Workforce One	Nonmajor Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Prepays	\$ 48,221	\$ -	\$ 496	\$ -	\$ -	\$ 48,717
Restricted for:						
Grants	-	-	64,936	9,152	-	74,088
Committed to:						
Student Activities	-	-	-	-	24,998	24,998
Unassigned	(691,272)	(38,265)	-	-	(28,390)	(757,927)
Total Fund Balances	<u>\$ (643,051)</u>	<u>\$ (38,265)</u>	<u>\$ 65,432</u>	<u>\$ 9,152</u>	<u>\$ (3,392)</u>	<u>\$ (610,124)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023
(NON-GAAP BUDGETARY BASIS)**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Management Services	\$ 1,571,000	\$ 1,571,000	\$ 1,726,317	\$ 155,317
Special Student Programs	15,899,840	15,899,840	12,736,464	(3,163,376)
Magnet Schools	4,899,790	4,899,790	4,684,700	(215,090)
Adult Community Education	205,125	205,125	241,063	35,938
Teaching and Learning	1,623,000	1,623,000	1,729,435	106,435
Technology Training	550,000	550,000	853,007	303,007
Early Childhood Initiatives	3,078,434	3,078,434	2,484,004	(594,430)
Facilities	255,369	255,369	779,568	524,199
Organizational Support Services	11,706,454	11,706,454	10,446,754	(1,259,700)
Total	<u><u>\$ 39,789,012</u></u>	<u><u>\$ 39,789,012</u></u>	35,681,312	<u><u>\$ (4,107,700)</u></u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for EASTCONN teachers are not budgeted	2,317,168
State of Connecticut on-behalf contributions to the Connecticut State Teachers' OPEB System for EASTCONN teachers are not budgeted	32,774
Commodities contributed by the USDA are not budgeted	39,339
Intra-program transfers	<u>(4,490,920)</u>

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit IV)

\$ 33,579,673

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2023
(NON-GAAP BUDGETARY BASIS)**

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
EXPENDITURES				
Management Services	\$ 3,296,974	\$ 3,304,493	\$ 2,804,046	\$ 500,447
Special Student Programs	13,376,235	13,382,789	11,144,449	2,238,340
Magnet Schools	4,718,930	4,720,249	4,328,928	391,321
Adult Community Education	195,990	196,017	83,465	112,552
Teaching and Learning	1,364,160	1,364,716	1,038,941	325,775
Technology Training	384,249	384,226	334,150	50,076
Early Childhood Initiatives	2,301,771	2,302,833	2,192,924	109,909
Facilities	3,282,822	3,274,371	2,894,155	380,216
Organizational Support Services	10,728,697	10,719,370	10,733,953	(14,583)
Total Expenditures	<u>39,649,828</u>	<u>39,649,064</u>	<u>35,555,011</u>	<u>4,094,053</u>
OTHER FINANCING USES				
Transfers Out	<u>254,071</u>	<u>254,071</u>	<u>254,071</u>	<u>-</u>
Total	<u>\$ 39,903,899</u>	<u>\$ 39,903,135</u>	<u>35,809,082</u>	<u>\$ 4,094,053</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for EASTCONN teachers are not budgeted	2,317,168
State of Connecticut on-behalf contributions to the Connecticut State Teachers' OPEB System for EASTCONN teachers are not budgeted	32,774
Commodities contributed by the USDA are not budgeted	39,339
Intra-program transfers	<u>(4,490,920)</u>

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit IV)

\$ 33,707,443

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
 SCHEDULE OF EASTCONN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS RETIREMENT PLAN
 LAST NINE FISCAL YEARS***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
EASTCONN's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EASTCONN's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with EASTCONN (1)	<u>29,389,729</u>	<u>28,602,601</u>	<u>36,114,008</u>	<u>29,389,564</u>	<u>22,661,061</u>	<u>22,546,008</u>	<u>23,786,211</u>	<u>17,569,895</u>	<u>16,239,847</u>
Total	<u>\$ 29,389,729</u>	<u>\$ 28,602,601</u>	<u>\$ 36,114,008</u>	<u>\$ 29,389,564</u>	<u>\$ 22,661,061</u>	<u>\$ 22,546,008</u>	<u>\$ 23,786,211</u>	<u>\$ 17,569,895</u>	<u>\$ 16,239,847</u>
EASTCONN's Covered Payroll	\$ 8,388,903	\$ 8,189,290	\$ 8,586,943	\$ 8,240,597	\$ 7,430,715	\$ 7,311,841	\$ 7,234,785	\$ 6,662,690	\$ 6,653,513
EASTCONN's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (1)	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

Notes to Schedule:

Changes in Benefit Terms	Legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019.
Changes of Assumptions	None
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of pay, closed, grading to a level dollar amortization method for the June 30, 2024 valuation
Single Equivalent Amortization Period	27.8 Years
Asset Valuation Method	4-Year Smoothed Market
Inflation	2.50%
Salary Increase	3.00% - 6.50%, Including Inflation
Investment Rate of Return	6.90%, Net of Investment-Related Expense

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

(1) Measurement for amounts presented is one year prior to the report date

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTHCARE PLAN
LAST SIX FISCAL YEARS***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:						
Service Cost	\$ 22,077	\$ 42,848	\$ 44,462	\$ 40,921	\$ 23,636	\$ 32,346
Interest	8,646	9,556	9,347	18,704	27,045	27,723
Effect of Economic/Demographic Gains or Losses	-	(36,180)	-	(327,501)	(71,288)	6,942
Changes of Assumptions and Other Inputs	43	(163,049)	2,120	14,006	54,662	24,473
Benefit Payments	<u>(32,916)</u>	<u>(28,333)</u>	<u>(41,257)</u>	<u>(56,443)</u>	<u>-</u>	<u>-</u>
Net Change in Total OPEB Liability	(2,150)	(175,158)	14,672	(310,313)	34,055	91,484
Total OPEB Liability - Beginning	<u>238,464</u>	<u>413,622</u>	<u>398,950</u>	<u>709,263</u>	<u>675,208</u>	<u>583,724</u>
Total OPEB Liability - Ending **	<u>\$ 236,314</u>	<u>\$ 238,464</u>	<u>\$ 413,622</u>	<u>\$ 398,950</u>	<u>\$ 709,263</u>	<u>\$ 675,208</u>
Covered Employee Payroll	\$ 8,164,918	\$ 8,164,918	\$ 7,813,529	\$ 7,813,529	\$ 5,714,528	\$ 5,557,976
Total OPEB Liability as a Percentage of Covered Payroll	2.89%	2.92%	5.29%	5.11%	12.41%	12.15%

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

** There are no assets accumulated in a trust fund for the payment of OPEB liabilities.

Notes to Schedule:

Changes in Assumptions In 2023, the discount rate changed from 3.54% to 3.65%. Updated the medical trend assumptions that were used in the most recent valuation due to inflation.

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
 SCHEDULE OF EASTCONN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHERS RETIREMENT PLAN
 LAST SIX FISCAL YEARS***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
EASTCONN's Proportion of the Net OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EASTCONN's Proportionate Share of the Net OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net OPEB Liability Associated with EASTCONN	<u>2,573,866</u>	<u>3,116,201</u>	<u>5,386,406</u>	<u>4,583,468</u>	<u>4,530,097</u>	<u>5,803,095</u>
Total	<u>\$ 2,573,866</u>	<u>\$ 3,116,201</u>	<u>\$ 5,386,406</u>	<u>\$ 4,583,468</u>	<u>\$ 4,530,097</u>	<u>\$ 5,803,095</u>
EASTCONN's Covered Payroll	\$ 8,388,903	\$ 8,189,290	\$ 8,586,943	\$ 8,240,597	\$ 7,430,715	\$ 7,311,841
EASTCONN's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

Notes to Schedule:

Changes in Benefit Terms	There was a change in the maximum monthly subsidy amounts offered to retirees and their dependents from \$110/\$220 to \$220/\$440.
Changes of Assumptions	Based on the procedure described in GASB 74, the discount rate used to measure plan obligations for financial accounting purposes as of June 30, 2022 was updated to equal the SEIR of 3.53% as of June 30, 2022; Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience; The assumed age-related annual percentage increases in expected annual per capita health care claims costs were updated; Long-term health care cost trend rates were updated; and The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options were updated to better reflect anticipated plan experience.
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll Over an Open Period
Remaining Amortization Period	30-Years
Asset Valuation Method	Market Value of Assets
Investment Rate of Return	3.00%, Net of Investment-Related Expense Including Price Inflation
Price Inflation	2.50%

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.
 (1) Measurement for amounts presented is one year prior to the report date

SUPPLEMENTAL, COMBINING, AND INDIVIDUAL FUND STATEMENTS

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023**

	Debt Service	Capital Projects	Special Revenue		Total Nonmajor Governmental Funds
			Adult Education	Student Activities	
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ 600	\$ 26,307	\$ 26,907
Receivables	-	-	13,584	-	13,584
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,184</u>	<u>\$ 26,307</u>	<u>\$ 40,491</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts and Other Payables	\$ -	\$ -	\$ 28,004	\$ 1,309	\$ 29,313
Due to Other Funds	-	14,570	-	-	14,570
Total Liabilities	-	14,570	28,004	1,309	43,883
FUND BALANCES					
Committed	-	-	-	24,998	24,998
Unassigned	-	(14,570)	(13,820)	-	(28,390)
Total Fund Balances	-	(14,570)	(13,820)	24,998	(3,392)
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,184</u>	<u>\$ 26,307</u>	<u>\$ 40,491</u>

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2023**

	Debt Service	Capital Projects	Special Revenue		Total Nonmajor Governmental Funds
			Adult Education	Student Activities	
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 1,834,519	\$ -	\$ 1,834,519
Charges for Services	-	-	-	32,100	32,100
Total Revenues	-	-	1,834,519	32,100	1,866,619
EXPENDITURES					
Current:					
Educational Programs and Supporting Services	-	-	1,881,610	32,545	1,914,155
Debt Service	218,096	-	-	-	218,096
Total Expenditures	218,096	-	1,881,610	32,545	2,132,251
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(218,096)	-	(47,091)	(445)	(265,632)
OTHER FINANCING SOURCES					
Transfers In	218,096	-	34,700	-	252,796
NET CHANGES IN FUND BALANCES	-	-	(12,391)	(445)	(12,836)
Fund Balance - Beginning of Year	-	(14,570)	(1,429)	25,443	9,444
FUND BALANCE - END OF YEAR	\$ -	\$ (14,570)	\$ (13,820)	\$ 24,998	\$ (3,392)

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023**

	Health Insurance	Unemployment Compensation	Equipment Leasing	Total
ASSETS				
Cash and Cash Equivalents	\$ 213,656	\$ 501,144	\$ -	\$ 714,800
Due from Other Funds	1,092,383	-	-	1,092,383
Capital Assets	-	-	12,886,318	12,886,318
Accumulated Depreciation	-	-	(9,118,580)	(9,118,580)
Total Assets	<u>1,306,039</u>	<u>501,144</u>	<u>3,767,738</u>	<u>5,574,921</u>
LIABILITIES				
Cash Overdraft	-	-	983,113	983,113
Accounts and Other Payables	1,582	-	-	1,582
Accrued Claims Payable	531,244	-	-	531,244
Short-Term Debt	-	-	1,150,000	1,150,000
Notes Payable	-	-	1,514,092	1,514,092
Total Liabilities	<u>532,826</u>	<u>-</u>	<u>3,647,205</u>	<u>4,180,031</u>
NET POSITION				
Net Investment in Capital Assets	-	-	2,253,646	2,253,646
Unrestricted	773,213	501,144	(2,133,113)	(858,756)
Total Net Position	<u>\$ 773,213</u>	<u>\$ 501,144</u>	<u>\$ 120,533</u>	<u>\$ 1,394,890</u>

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023**

	Health Insurance	Unemployment Compensation	Equipment Leasing	Total
OPERATING REVENUES				
Charges and Fees	\$ 6,184,200	\$ 132,471	\$ 1,187,601	\$ 7,504,272
Other	65,735	-	-	65,735
Total Operating Revenues	<u>6,249,935</u>	<u>132,471</u>	<u>1,187,601</u>	<u>7,570,007</u>
OPERATING EXPENSES				
Benefit Payments	6,806,086	18,483	-	6,824,569
Depreciation	-	-	1,160,905	1,160,905
Total Operating Expenses	<u>6,806,086</u>	<u>18,483</u>	<u>1,160,905</u>	<u>7,985,474</u>
OPERATING INCOME (LOSS)	(556,151)	113,988	26,696	(415,467)
NONOPERATING EXPENSES				
Interest Expense	-	-	(159,320)	(159,320)
Net Nonoperating Expenses	<u>-</u>	<u>-</u>	<u>(159,320)</u>	<u>(159,320)</u>
CHANGES IN NET POSITION	(556,151)	113,988	(132,624)	(574,787)
Total Net Position - Beginning of Year	<u>1,329,364</u>	<u>387,156</u>	<u>253,157</u>	<u>1,969,677</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 773,213</u>	<u>\$ 501,144</u>	<u>\$ 120,533</u>	<u>\$ 1,394,890</u>

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

	Health Insurance	Unemployment Compensation	Equipment Leasing	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from EASTCONN Funds and Programs	\$ 7,102,682	\$ 147,093	\$ 1,187,601	\$ 8,437,376
Cash Paid to Vendors	(6,889,026)	(18,483)	-	(6,907,509)
Net Cash Provided by Operating Activities	<u>213,656</u>	<u>128,610</u>	<u>1,187,601</u>	<u>1,529,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Notes Payable	-	-	495,780	495,780
Purchase of Capital Assets	-	-	(227,411)	(227,411)
Principal Payments on Notes Payable	-	-	(697,028)	(697,028)
Interest Paid on Notes Payable	-	-	(159,320)	(159,320)
Net Cash Used by Capital and Related Financing Activities	-	-	(587,979)	(587,979)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Short-Term Debt	-	-	702,130	702,130
Cash Paid to Other Funds	-	-	(1,301,752)	(1,301,752)
Net Cash Used by Noncapital Financing Activities	-	-	(599,622)	(599,622)
NET INCREASE IN CASH AND CASH EQUIVALENTS	213,656	128,610	-	342,266
Cash and Cash Equivalents - Beginning of Year	-	372,534	-	372,534
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 213,656</u>	<u>\$ 501,144</u>	<u>\$ -</u>	<u>\$ 714,800</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (556,151)	\$ 113,988	\$ 26,696	\$ (415,467)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	-	-	1,160,905	1,160,905
(Increase) Decrease in:				
Accounts Receivable	628	-	-	628
Due from Other Funds	866,741	14,622	-	881,363
Increase (Decrease) in:				
Accounts Payable and Other	(3,976)	-	-	(3,976)
Accrued Claims Payable	(78,964)	-	-	(78,964)
Due to Other Funds	(14,622)	-	-	(14,622)
Net Cash Provided by Operating Activities	<u>\$ 213,656</u>	<u>\$ 128,610</u>	<u>\$ 1,187,601</u>	<u>\$ 1,529,867</u>

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Eastern Connecticut Health Insurance Program	Connecticut Collaborative Health Insurance Program	Superintendent's Fund	Total Custodial Funds
ASSETS				
Cash and Cash equivalents	\$ 6,833,926	\$ 11,001	\$ 39,319	\$ 6,884,246
Investments	3,109,809	-	-	3,109,809
Accounts Receivable	520,605	-	-	520,605
Total Assets	<u>10,464,340</u>	<u>11,001</u>	<u>39,319</u>	<u>10,514,660</u>
LIABILITIES				
Accounts payable	<u>-</u>	<u>-</u>	<u>900</u>	<u>900</u>
NET POSITION				
Restricted for:				
Organizations and Other Governments	<u>10,464,340</u>	<u>11,001</u>	<u>38,419</u>	<u>10,513,760</u>
Total Net Position	<u>\$ 10,464,340</u>	<u>\$ 11,001</u>	<u>\$ 38,419</u>	<u>\$ 10,513,760</u>

**EASTERN CONNECTICUT REGIONAL EDUCATIONAL SERVICE CENTER
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023**

	Eastern Connecticut Health Insurance Program	Connecticut Collaborative Health Insurance Program	Superintendent's Fund	Total Custodial Funds
ADDITIONS				
Contributions:				
Employer Premiums	\$ 30,895,250	\$ 520	\$ -	\$ 30,895,770
Investments Earnings	55,462	5	14	55,481
Fees	-	-	7,615	7,615
Refunds	2,499,533	-	-	2,499,533
Total Additions	<u>33,450,245</u>	<u>525</u>	<u>7,629</u>	<u>33,458,399</u>
DEDUCTIONS				
Health Insurance Claims and Premiums	33,138,921	-	-	33,138,921
Administrative Expense	514,548	-	-	514,548
Miscellaneous	-	-	2,902	2,902
Total Deductions	<u>33,653,469</u>	<u>-</u>	<u>2,902</u>	<u>33,656,371</u>
NET CHANGE IN FIDUCIARY NET POSITION	(203,224)	525	4,727	(197,972)
Net Position - Beginning of Year	<u>10,667,564</u>	<u>10,476</u>	<u>33,692</u>	<u>10,711,732</u>
NET POSITION - END OF YEAR	<u>\$ 10,464,340</u>	<u>\$ 11,001</u>	<u>\$ 38,419</u>	<u>\$ 10,513,760</u>



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