

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Annual Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS 51**



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Concord Area Special Education Collaborative

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Concord Area Special Education Collaborative (the Collaborative), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

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opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Concord Area Special Education Collaborative, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison of the General Fund, and certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collaborative's basic financial statements. The accompanying supplementary information appearing on pages 48 through 50 is presented for purposes of additional analysis and is 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 financial statements. The information has been



subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 December 4, 2020 on our consideration of the Collaborative'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 the Collaborative'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 the Collaborative's internal control over financial reporting and compliance.

A stylized, handwritten signature of the word "Melanson" in a dark grey or black ink.

Andover, Massachusetts
December 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Concord Area Special Education Collaborative (the Collaborative), we offer readers this narrative overview and analysis of the financial activities of the Collaborative for the fiscal year ended June 30, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required/other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information on how the Collaborative's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tuition and fees and earned but unused vacation leave).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources

available at the end of the fiscal year. Such information may be useful in evaluating the Collaborative's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Collaborative's own programs.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required/Other Supplementary Information (Other Than MD&A)

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America and other supplementary information that is not a required part of the basic financial statements.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$2,701,013, a change of \$697,483.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,275,320, a change of \$976,331 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,389,045, a change of \$1,209,193 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

NET POSITION

	Governmental <u>Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 6,834,644	\$ 5,950,315
Capital assets	<u>1,162,273</u>	<u>1,120,313</u>
Total assets	7,996,917	7,070,628
Deferred outflows of resources	344,305	209,362
Current liabilities	564,474	600,354
Noncurrent liabilities	<u>4,648,532</u>	<u>4,170,381</u>
Total liabilities	5,213,006	4,770,735
Deferred inflows of resources	427,203	505,625
Net investment in capital assets	1,162,273	1,120,213
Restricted	87,657	91,273
Unrestricted	<u>1,451,083</u>	<u>792,044</u>
Total net position	<u>\$ 2,701,013</u>	<u>\$ 2,003,530</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, total net position was \$2,701,013, a change of \$697,483 in comparison to the prior year.

A portion of net position, \$1,162,273, reflects our investment in capital assets (e.g., transportation vehicles), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$87,657, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,451,083 may be used to meet the Collaborative's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$ 6,162,903	\$ 5,393,358
Operating grants and contributions	3,540,821	2,931,047
General revenues:		
School year program member tuition and fees	4,974,689	6,271,277
School year program non-member tuition and fees	2,882,209	2,727,296
Summer program tuition and fees	577,671	640,400
Investment income	46,932	88,862
Miscellaneous	75,445	98,149
Total revenues	<u>18,260,670</u>	<u>18,150,389</u>
Expenses		
Administration	737,278	611,750
Supervision	1,003,664	906,029
Instruction	8,728,599	8,969,881
Transportation	7,093,646	7,391,673
Total expenses	<u>17,563,187</u>	<u>17,879,333</u>
Change in net position	697,483	271,056
Net position - beginning of year	<u>2,003,530</u>	<u>1,732,474</u>
Net position - end of year	<u>\$ 2,701,013</u>	<u>\$ 2,003,530</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$697,483. Key elements of this change are as follows:

General fund operations	\$ 974,262
Van purchases funded by current year revenue	491,266
Current year depreciation expense	(449,206)
Change in net OPEB liability and related deferred outflows and inflows of resources	(257,030)
Other	<u>(61,809)</u>
Total	<u>\$ 697,483</u>

Financial Analysis of the Collaborative's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,389,045, while total fund balance was \$6,255,056. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 5,389,045	\$ 4,179,852	\$ 1,209,193	39.1%
Total fund balance	\$ 6,255,056	\$ 5,280,794	\$ 974,262	45.3%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payments from the Commonwealth of the Massachusetts Teachers Retirement System of \$822,642 and from the Commonwealth of the Massachusetts State Employees' Retirement System of \$534,116.

The total fund balance of the general fund changed by \$974,262 during the current fiscal year. Key factors in this change are as follows:

Use of free cash (E&D) as a funding source	\$ (408,772)
Revenues in excess of budget	29,211
Expenditures less than budget	1,330,366
Change in encumbrances	(25,041)
Other	48,498
Total	<u>\$ 974,262</u>

Non-Major Governmental Funds

The non-major fund balance changed by \$2,069, primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

General Fund Budgetary Highlights

There was no difference between the total original budget and the total final amended budget.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$1,162,273 (net of accumulated depreciation). This investment in capital assets represents transportation vehicles.

Major capital asset events during the current fiscal year included the following:

Purchase of twelve new passenger vans	\$491,266
Current year depreciation expense	\$(449,206)

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the Collaborative had no outstanding long-term bonded debt and no outstanding long-term capital leases.

Additional information on long-term debt can be found in the Notes to Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Concord Area Special Education Collaborative finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sanchita Banerjee
Executive Director
Concord Area Special Education Collaborative
120 Meriam Road
Concord, Massachusetts 01742

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 6,097,450
Accounts receivable	662,944
Other assets	<u>74,250</u>
Total Current Assets	6,834,644
Noncurrent:	
Capital assets, net of accumulated depreciation	<u>1,162,273</u>
Total Noncurrent Assets	1,162,273
Deferred Outflows of Resources	
Related to OPEB	<u>344,305</u>
Total Deferred Outflows of Resources	344,305
Liabilities	
Current:	
Accounts payable	39,673
Accrued liabilities	466,831
Other liabilities	52,822
Current portion of long-term liabilities:	
Compensated absences	<u>5,148</u>
Total Current Liabilities	564,474
Noncurrent:	
Compensated absences, net of current portion	20,593
Net OPEB liability	<u>4,627,939</u>
Total Noncurrent Liabilities	4,648,532
Deferred Inflows of Resources	
Related to OPEB	<u>427,203</u>
Total Deferred Inflows of Resources	427,203
Net Position	
Net investment in capital assets	1,162,273
Restricted for:	
Grants and other	13,407
Nonspendable for security deposit	74,250
Unrestricted	<u>1,451,083</u>
Total Net Position	<u>\$ 2,701,013</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Statement of Activities
For the Year Ended June 30, 2020

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Administration	\$ 737,278	\$ -	\$ 107,185	\$ (630,093)
Supervision	1,003,664	-	255,901	(747,763)
Instruction	8,728,599	-	1,750,175	(6,978,424)
Transportation	<u>7,093,646</u>	<u>6,162,903</u>	<u>1,427,560</u>	<u>496,817</u>
Total Governmental Activities	<u>\$ 17,563,187</u>	<u>\$ 6,162,903</u>	<u>\$ 3,540,821</u>	<u>(7,859,463)</u>
		General Revenues		
				4,974,689
				2,882,209
				577,671
				46,932
				<u>75,445</u>
			Total general revenues	<u>8,556,946</u>
			Change in Net Position	697,483
		Net Position		
			Beginning of year	<u>2,003,530</u>
			End of year	<u>\$ 2,701,013</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 6,077,187	\$ 20,264	\$ 6,097,451
Accounts receivable	662,944	-	662,944
Other assets	<u>74,250</u>	<u>-</u>	<u>74,250</u>
Total Assets	<u>\$ 6,814,381</u>	<u>\$ 20,264</u>	<u>\$ 6,834,645</u>
Liabilities			
Warrants and accounts payable	\$ 39,673	\$ -	\$ 39,673
Accrued liabilities	466,831	-	466,831
Other liabilities	<u>52,821</u>	<u>-</u>	<u>52,821</u>
Total Liabilities	559,325	-	559,325
Fund Balances			
Nonspendable	74,250	-	74,250
Restricted	-	13,407	13,407
Committed	-	6,857	6,857
Assigned	791,761	-	791,761
Unassigned	<u>5,389,045</u>	<u>-</u>	<u>5,389,045</u>
Total Fund Balances	<u>6,255,056</u>	<u>20,264</u>	<u>6,275,320</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,814,381</u>	<u>\$ 20,264</u>	<u>\$ 6,834,645</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2020

Total governmental fund balances	\$ 6,275,320
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,162,273
Long-term liabilities, including compensated absences and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(25,741)
Net OPEB liability and related deferred outflows and inflows of resources	<u>(4,710,839)</u>
Net position of governmental activities	<u>\$ 2,701,013</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2020

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
School year program member tuition and fees	\$ 4,974,689	\$ -	\$ 4,974,689
School year program non-member tuition and fees	2,882,209	-	2,882,209
Summer program tuition and fees	577,671	-	577,671
Transportation assessments	6,130,705	-	6,130,705
Intergovernmental	1,356,758	-	1,356,758
Investment income	46,928	4	46,932
Miscellaneous	<u>161,825</u>	<u>7,900</u>	<u>169,725</u>
Total Revenues	16,130,785	7,904	16,138,689
Expenditures			
Program:			
Administration	568,568	-	568,568
Supervision	729,810	-	729,810
Instruction	5,737,056	5,835	5,742,891
Instructional rent	428,864	-	428,864
Instructional insurance and benefits	1,673,529	-	1,673,529
Transportation operating	5,527,425	-	5,527,425
Transportation capital outlay	<u>491,271</u>	<u>-</u>	<u>491,271</u>
Total Expenditures	<u>15,156,523</u>	<u>5,835</u>	<u>15,162,358</u>
Change in fund balance	974,262	2,069	976,331
Fund Balance, at Beginning of Year	<u>5,280,794</u>	<u>18,195</u>	<u>5,298,989</u>
Fund Balance, at End of Year	\$ <u><u>6,255,056</u></u>	\$ <u><u>20,264</u></u>	\$ <u><u>6,275,320</u></u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net changes in fund balances - total governmental funds	\$ 976,331
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay	491,266
Depreciation	(449,206)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., member community assessments) differ between the two statements. This amount represents the net change in unavailable revenue.</p>	
	(54,182)
<p>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:</p>	
Change in OPEB expense from GASB 75	(257,030)
Other	(9,696)
Change in net position of governmental activities	<u>\$ 697,483</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Other Post-Employment <u>Benefits Trust Funds</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ -	\$ 307
Investments:		
External investment pool	<u>3,771,081</u>	<u>-</u>
Total Investments	<u>3,771,081</u>	<u>-</u>
Total Assets	3,771,081	307
Liabilities		
Student activity funds	<u>-</u>	<u>307</u>
Total Liabilities	<u>-</u>	\$ <u>307</u>
Net Position		
Restricted for OPEB purposes	<u>3,771,081</u>	
Total Net Position	\$ <u><u>3,771,081</u></u>	

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>Other Post-Employment Benefits Trust Fund</u>
Additions	
Investment income	\$ 85,567
Contributions from employer	<u>342,117</u>
Total additions	427,684
Deductions	
Benefit payments to plan members, beneficiaries and other systems	<u>335,317</u>
Total deductions	<u>335,317</u>
Net increase	92,367
Net position restricted for pensions and other purposes	
Beginning of year	<u>3,678,714</u>
End of year	<u>\$ 3,771,081</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Concord Area Special Education Collaborative (the Collaborative) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Collaborative is a municipal corporation governed by an appointed Board of Directors. As required by generally accepted accounting principles, these financial statements present the Collaborative and applicable component units for which the Collaborative is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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. Member and non-member tuition and assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned

and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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, and (2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all member and non-member program tuitions/fees and transportation assessments.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. In general, revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Collaborative reports the following major governmental funds:

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

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Collaborative reports the following fiduciary funds:

- The *other post-employment benefits trust* fund accounts for resources the Collaborative is accumulating for future other post-employment health insurance benefits to be provided to eligible retirees.
- The *agency funds* account for fiduciary assets held by the Collaborative in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and monies held in the Massachusetts Municipal Depository Trust, an investment pool for political subdivisions in the Commonwealth of Massachusetts established by the Treasurer of the Commonwealth. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments are carried at fair value.

Interfund Receivables and Payables

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

Capital Assets

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

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

Compensated Absences

It is the Collaborative’s policy to permit employees to accumulate earned but unused vacation pay benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Collaborative reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Collaborative uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Collaborative or through external restrictions

imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

Budgetary Information

The Collaborative's Board of Directors approves the annual school year program, summer program, and transportation budgets. School year and summer program budgets are based on anticipated enrollment and are funded by annually approved per pupil tuition rates for member and non-member entities. The transportation budget consists of estimated operating and capital costs, and is funded by assessments based on the weighted average number of students transported two years previously in the month of June (i.e., fiscal year 2020 transportation assessments are based on the weighted average number of pupils transported in June 2018).

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent fiscal year.

3. Deposits and Investments

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Collaborative's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Collaborative's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Collaborative does not have a deposit policy for custodial credit risk.

As of June 30, 2020, \$3,425,882 of the Collaborative's bank balance of \$6,362,745 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the Collaborative's name.

Investment Summary

The following is a summary of the Collaborative's investments (in thousands) as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
External investment pool	\$ <u>3,771</u>
Total investments	\$ <u><u>3,771</u></u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Collaborative's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment type of the Collaborative:

<u>Investment Type</u>	<u>Amount</u>	Rating as of <u>Year End</u> <u>Unrated</u>
External investment pool	\$ <u>3,771</u>	\$ <u>3,771</u>
Total	\$ <u><u>3,771</u></u>	\$ <u><u>3,771</u></u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Collaborative does not have formal investment policies related to custodial credit risk.

As of June 30, 2020, none of the Collaborative's investments were subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Collaborative's investment in a single issuer. The Collaborative places no limit on the amount they may invest in any one issuer. The Collaborative does not have formal investment policies related to concentration of credit risk exposure.

As of June 30, 2020, the Collaborative's investments are held in the Pension Reserves Investment Trust Fund, a state investment pool.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Collaborative does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2020, the Collaborative's investments are held in the Pension Reserves Investment Trust Fund, a state investment pool.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Collaborative does not have formal investment policies related to foreign currency risk.

Fair Value

The Collaborative categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Collaborative has the following fair value measurements (in thousands) as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Investments measured at the net asset value (NAV):	
External investment pools	\$ <u>3,771</u>
Total	\$ <u><u>3,771</u></u>

<u>Investment Type</u>	<u>Amount</u>	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pools	\$ 3,771	Monthly	30 Days

4. Accounts Receivable

Accounts receivable represents tuition due from member and non-member communities for services rendered in fiscal year 2020.

5. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	<u>Balance 7/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/20</u>
Governmental Activities				
Capital assets, being depreciated:				
Vehicles	\$ <u>3,824</u>	\$ <u>491</u>	\$ <u>(305)</u>	\$ <u>4,010</u>
Total capital assets, being depreciated	3,824	491	(305)	4,010
Less accumulated depreciation for:				
Vehicles	<u>(2,704)</u>	<u>(449)</u>	<u>305</u>	<u>(2,848)</u>
Total accumulated depreciation	<u>(2,704)</u>	<u>(449)</u>	<u>305</u>	<u>(2,848)</u>
Governmental activities capital assets, net	\$ <u><u>1,120</u></u>	\$ <u><u>42</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,162</u></u>

Depreciation expense for the year ended June 30, 2020 was charged to functions of the Collaborative as follows (in thousands):

Governmental Activities	
Transportation	\$ <u>449</u>
Total depreciation expense	\$ <u><u>449</u></u>

6. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Collaborative that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to OPEB, in accordance with GASB 75, are more fully discussed in the corresponding OPEB note.

7. Accounts Payable

Accounts payable represent fiscal year 2020 expenditures paid after July 15, 2020.

8. Accrued Liabilities

Accrued liabilities represent fiscal year 2020 expenditures paid after June 30, 2020.

9. Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less <u>Current Portion</u>	Equals <u>Long-Term Portion</u>
Governmental Activities						
Compensated absences	\$ 16	\$ 12	\$ (2)	\$ 26	\$ (5)	\$ 21
Net OPEB liability	<u>4,158</u>	<u>470</u>	<u>-</u>	<u>4,628</u>	<u>-</u>	<u>4,628</u>
Totals	<u>\$ 4,174</u>	<u>\$ 482</u>	<u>\$ (2)</u>	<u>\$ 4,654</u>	<u>\$ (5)</u>	<u>\$ 4,649</u>

10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Collaborative that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to OPEB will

be recognized as expense in future years and is more fully described in the corresponding OPEB note. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

11. Governmental Funds – Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Collaborative has implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2020:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes unexpended donations that are accounted for in the Collaborative's special revenue funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Collaborative's highest level of decision-making authority (i.e., Board of Directors). This fund balance classification includes professional development resources that are accounted for in the Collaborative's special revenue funds.

Assigned

Represents amounts that are constrained by the Collaborative's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Collaborative departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and general fund surplus fund balance that has been approved as a funding source for the subsequent fiscal period.

Unassigned

Represents amounts that are available to spend in future periods. This fund balance classification includes program and transportation fund surplus balances.

Following is a breakdown of the Collaborative's fund balances at June 30, 2020:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Security deposit	\$ 74,250	\$ -	\$ 74,250
Total Nonspendable	74,250	-	74,250
Restricted			
Donation fund	-	13,407	13,407
Total Restricted	-	13,407	13,407
Committed			
Professional development	-	6,857	6,857
Total Committed	-	6,857	6,857
Assigned			
Encumbrances	571,407	-	571,407
Reserved for expenditures	220,354	-	220,354
Total Assigned	791,761	-	791,761
Unassigned			
General fund	5,389,045	-	5,389,045
Total Unassigned	5,389,045	-	5,389,045
Total Fund Balance	\$ 6,255,056	\$ 20,264	\$ 6,275,320

12. Massachusetts State Employees' Retirement System (MSERS)**Plan Description**

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MSERS covers substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of MSERS upon the creation of MassDOT. Other employees who transferred to MassDOT had been, and remain, members of MSERS. The assets and liabilities of the former MTA have been transferred to MSERS. MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB), which consists of five members—two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB.

Participant Retirement Benefits

MSERS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

MSERS’ funding policies have been established by Chapter 32 of the MGL and the State Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Participants Contributions

Member contributions for MSERS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Actuarial Assumptions

The total pension liability is measured as of June 30, 2019 and was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 9.00% depending on group and length of service.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016, set forward 1 year for females
 - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year for females
 - Disability – the mortality rate is assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year.
- Experience studies were performed as follows:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of the MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.90%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the Collaborative’s share of the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

1% Decrease to <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase to <u>8.25%</u>
\$ 17,053,514	\$ 12,812,898	\$ 9,188,285

Special Funding Situation – Educational Collaboratives

Educational collaboratives contribute amounts equal to the normal cost of employees’ benefits at a rate established by the Public Employees’ Retirement Commission (PERAC), currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees’ benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth, as a nonemployer contributing entity, is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation, as defined by GASB Statement No. 68.

For entities considered to be in a 100% special funding situation, there is no net pension liability recognized.

Collaborative Proportions

In fiscal year 2019 (the most recent measurement period), the Commonwealth’s total proportionate share of the net pension liability associated with the Collaborative was \$12,812,898 based on a proportionate share of 0.08755%. As required by GASB 68, the Collaborative has recognized its portion of the collective pension expense of approximately \$534,116 as both revenue and expenditure in the general fund, and its portion of the collection pension expense of approximately \$1,256,530 as both revenue and expense in the governmental activities.

13. **Massachusetts Teachers' Retirement System (MTRS)**

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the State Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

MTRS funding policies have been established by Chapter 32 of the MGL. The State Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 Health Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each

major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.90%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease to <u>6.35%</u>	Current Discount Rate <u>7.35%</u>	1% Increase to <u>8.35%</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Collaborative Proportions

In fiscal year 2019 (the most recent measurement period), the Collaborative's proportionate share of the MTRS' collective net pension liability was \$14,367,222 based on a proportionate share of 0.056981%. As required by GASB 68, the Collaborative has recognized its portion of the Commonwealth's contribution of approximately \$822,642 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$919,633 as both a revenue and expense in the governmental activities.

14. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2010, the Collaborative established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2020 and was determined by an actuarial valuation dated July 1, 2018 rolled forward to June 30, 2020.

General Information about the OPEB Plan

Plan Description

The Collaborative provides post-employment healthcare benefits for retired employees through the Collaborative's plan. The Collaborative provides health insurance coverage through Fallon Direct Care, Fallon Select Care, Harvard Pilgrim Health Care, and Tufts Health Plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Collaborative provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Collaborative and meet the eligibility criteria will receive these benefits.

Funding Policy

The Collaborative's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

Plan Membership

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	57
Active employees	<u>187</u>
Total	<u><u>244</u></u>

Investments

The OPEB trust fund assets are invested with a State Investment Pool.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% as of June 30, 2020 and for future periods
Salary increases	3.00% annually as of June 30, 2020 and for future periods
Investment rate of return	7.01%, net of OPEB plan investment expense, including inflation
Municipal bond rate	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year-High Grade Index)
Discount rate	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.50% per year
Retirees' share of benefit-related costs	50%
Participation rate	80% of eligible employees

Pre-retirement mortality reflects RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Post-retirement mortality reflects RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Disabled mortality reflects RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience studies of the Massachusetts PERAC issued in 2017 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	14.50%	4.80%
Domestic Equity - Small/Mid Cap	3.50%	5.29%
International Equity - Developed Market	16.00%	5.45%
International Equity - Emerging Market	6.00%	6.42%
Domestic Fixed Income	20.00%	2.05%
International Fixed Income	3.00%	3.00%
Alternatives	23.00%	6.50%
Real Estate	<u>14.00%</u>	6.25%
Total	<u><u>100.00%</u></u>	

Contributions

In addition to the implicit subsidy contribution, the Collaborative’s policy is to contribute the ADC or amounts provided annually by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position is projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 8,399,020
Plan fiduciary net position	<u>3,771,081</u>
Net OPEB liability	<u>\$ 4,627,939</u>
Plan fiduciary net position as a percentage of the total OPEB liability	44.90%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 7,836,258	\$ 3,678,714	\$ 4,157,544
Changes for the year:			
Service cost	331,581	-	331,581
Interest	560,665	-	560,665
Contributions - employer	-	342,117	(342,117)
Net investment income	-	72,367	(72,367)
Differences between expected and actual experience	(7,367)	-	(7,367)
Benefit payments	<u>(322,117)</u>	<u>(322,117)</u>	<u>-</u>
Net Changes	<u>562,762</u>	<u>92,367</u>	<u>470,395</u>
Balances, end of year	<u>\$ 8,399,020</u>	<u>\$ 3,771,081</u>	<u>\$ 4,627,939</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$ 5,674,315	\$ 4,627,939	\$ 3,581,563

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 3,625,814	\$ 4,627,939	\$ 5,831,141

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

For the year ended June 30, 2020, the Collaborative recognized an OPEB expense of \$257,030. At June 30, 2020, the Collaborative reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ 166,982	\$ (6,127)
Change in assumptions	-	(358,136)
Net difference between projected and actual OPEB investment earnings	<u>177,323</u>	<u>(62,940)</u>
Total	<u>\$ 344,305</u>	<u>\$ (427,203)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ (34,532)
2022	(34,532)
2023	(3,064)
2024	(9,603)
2025	<u>(1,167)</u>
Total	\$ <u><u>(82,898)</u></u>

15. Subsequent Events

Management has evaluated subsequent events through December 4, 2020, which is the date the financial statements were available to be issued.

16. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Collaborative, employees, and vendors, all of which may impact our financial condition or results of operation is uncertain.

Outstanding Lawsuits

Management is not aware of any pending lawsuits.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In fiscal year 2020, the Collaborative did not receive or expend any federal or state grant funds.

Encumbrances

At year-end the Collaborative's general fund has \$571,407 in encumbrances that will be honored in the next fiscal year.

17. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Collaborative beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Collaborative beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Required Supplemental Information
General Fund

Statement of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		Positive (Negative)
Revenues				
School year program member tuition and fees	\$ 5,348,114	\$ 5,348,114	\$ 4,974,689	\$ (373,425)
School year program non-member tuition and fees	2,473,815	2,473,815	2,882,209	408,394
Summer program tuition and fees	620,000	620,000	577,671	(42,329)
Transportation assessments	6,130,705	6,130,705	6,130,705	-
Investment income	-	-	46,928	46,928
Miscellaneous	118,000	118,000	107,643	(10,357)
Total Revenues	<u>14,690,634</u>	<u>14,690,634</u>	<u>14,719,845</u>	<u>29,211</u>
Expenditures				
Program:				
Administration	515,252	600,105	583,429	16,676
Supervision	703,919	667,649	596,645	71,004
Instruction	5,918,786	5,882,066	5,722,037	160,029
Instructional rent	403,424	444,064	424,208	19,856
Instructional insurance and benefits	1,018,548	966,045	852,372	113,673
Transportation operating	6,047,977	6,047,977	5,135,549	912,428
Transportation capital outlay	491,500	491,500	454,800	36,700
Total Expenditures	<u>15,099,406</u>	<u>15,099,406</u>	<u>13,769,040</u>	<u>1,330,366</u>
Excess (deficiency) of revenues over expenditures	(408,772)	(408,772)	950,805	1,359,577
Other Financing Sources				
Use of fund balance (Transportation E&D)	408,772	408,772	408,772	-
Total Other Financing Sources	<u>408,772</u>	<u>408,772</u>	<u>408,772</u>	<u>-</u>
Excess of revenues over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,359,577</u>	<u>1,359,577</u>
Budgetary basis adjustments:				
Use of fund balance (Transportation E&D)				(408,772)
Expenditures of prior year encumbrances				(596,448)
Current year encumbrances				571,407
Other				48,498
Change in fund balance				<u>\$ 974,262</u>

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

**Notes to the Required Supplemental Information
For General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Revenues/expenditures (GAAP Basis)	\$ 16,130,785	\$ 15,156,523	\$ -
Reverse beginning of year appropriation carryforwards from expenditures	-	(596,448)	-
Add end-of-year appropriation carryforwards from expenditures	-	571,407	-
Recognize use of fund balance (E&D) as funding source	-	-	408,772
Reverse MSERS and MTRS on-behalf contributions	(1,356,758)	(1,356,758)	-
To reverse the effect of non-budgeted audit adjustments	<u>(54,182)</u>	<u>(5,684)</u>	<u>-</u>
Budgetary basis	<u>\$ 14,719,845</u>	<u>\$ 13,769,040</u>	<u>\$ 408,772</u>

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

June 30, 2020
(Unaudited)

Massachusetts State Employees' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Collaborative</u>	<u>Total Net Pension Liability Associated with the Collaborative</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.08755%	\$ -	\$ 12,812,898	\$ 12,812,898	\$ 5,216,730	-	66.28%
June 30, 2019	June 30, 2018	0.09592%	\$ -	\$ 12,690,024	\$ 12,690,024	\$ 5,513,967	-	67.91%
June 30, 2018	June 30, 2017	0.10150%	\$ -	\$ 13,017,348	\$ 13,017,348	\$ 5,795,679	-	67.21%
June 30, 2017	June 30, 2016	0.10506%	\$ -	\$ 14,486,536	\$ 14,486,536	\$ 5,851,807	-	63.48%
June 30, 2016	June 30, 2015	0.10303%	\$ -	\$ 11,727,901	\$ 11,727,901	\$ 5,750,125	-	67.87%
June 30, 2015	June 30, 2014	0.10431%	\$ -	\$ 7,744,418	\$ 7,744,418	\$ 5,536,159	-	76.32%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Collaborative</u>	<u>Total Net Pension Liability Associated with the Collaborative</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.056981%	\$ -	\$ 14,367,222	\$ 14,367,222	\$ 4,146,598	-	53.95%
June 30, 2019	June 30, 2018	0.065278%	\$ -	\$ 15,478,182	\$ 15,478,182	\$ 4,584,365	-	54.84%
June 30, 2018	June 30, 2017	0.065285%	\$ -	\$ 14,940,804	\$ 14,940,804	\$ 4,433,479	-	54.25%
June 30, 2017	June 30, 2016	0.069674%	\$ -	\$ 15,577,621	\$ 15,577,621	\$ 4,582,903	-	52.73%
June 30, 2016	June 30, 2015	0.070960%	\$ -	\$ 14,539,513	\$ 14,539,513	\$ 4,498,094	-	55.38%
June 30, 2015	June 30, 2014	0.072876%	\$ -	\$ 11,584,563	\$ 11,584,563	\$ 4,444,985	-	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Required Supplementary Information
 Schedule of Pension Contributions
 June 30, 2020
 (Unaudited)

Massachusetts State Employees' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Actuarially Determined Contribution			
June 30, 2020	June 30, 2019	\$ 293,950	\$ 293,950	\$ -	\$ 4,818,848	6.10%
June 30, 2019	June 30, 2018	\$ 318,221	\$ 318,221	\$ -	\$ 5,216,730	6.10%
June 30, 2018	June 30, 2017	\$ 336,352	\$ 336,352	\$ -	\$ 5,513,967	6.10%
June 30, 2017	June 30, 2016	\$ 324,558	\$ 324,558	\$ -	\$ 5,795,679	5.60%
June 30, 2016	June 30, 2015	\$ 326,736	\$ 326,736	\$ -	\$ 5,851,807	5.60%
June 30, 2015	June 30, 2014	\$ 321,059	\$ 321,059	\$ -	\$ 5,750,125	5.60%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution Provided by Commonwealth	Actuarially Determined Contribution			
June 30, 2020	June 30, 2019	\$ 822,642	\$ 822,642	\$ -	\$ 3,587,327	22.90%
June 30, 2019	June 30, 2018	\$ 858,260	\$ 858,260	\$ -	\$ 4,146,598	20.70%
June 30, 2018	June 30, 2017	\$ 806,610	\$ 806,610	\$ -	\$ 4,584,365	17.60%
June 30, 2017	June 30, 2016	\$ 783,540	\$ 783,540	\$ -	\$ 4,433,479	17.70%
June 30, 2016	June 30, 2015	\$ 725,165	\$ 725,165	\$ -	\$ 4,582,903	15.80%
June 30, 2015	June 30, 2014	\$ 683,121	\$ 683,121	\$ -	\$ 4,498,094	15.20%

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

See Independent Auditors' Report.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in Net OPEB Liability
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 331,581	\$ 308,602	\$ 430,236	\$ 418,048
Interest	560,665	486,400	484,858	407,624
Differences between expected and actual experience	(7,367)	251,742	(533,893)	-
Changes of assumptions	-	(539,930)	-	-
Benefit payments, including refunds of member contributions	<u>(322,117)</u>	<u>(284,391)</u>	<u>(186,874)</u>	<u>(152,312)</u>
Net change in total OPEB liability	562,762	222,423	194,327	673,360
Total OPEB liability - beginning	<u>7,836,258</u>	<u>7,613,835</u>	<u>7,419,508</u>	<u>6,746,148</u>
Total OPEB liability - ending (a)	8,399,020	7,836,258	7,613,835	7,419,508
Plan Fiduciary Net Position				
Contributions - employer	342,117	304,391	206,874	182,312
Net investment income	72,367	196,142	299,430	352,722
Benefit payments, including refunds of member contributions	<u>(322,117)</u>	<u>(284,391)</u>	<u>(186,874)</u>	<u>(152,312)</u>
Net change in plan fiduciary net position	92,367	216,142	319,430	382,722
Plan fiduciary net position - beginning	<u>3,678,714</u>	<u>3,462,572</u>	<u>3,143,142</u>	<u>2,760,420</u>
Plan fiduciary net position - ending (b)	<u>3,771,081</u>	<u>3,678,714</u>	<u>3,462,572</u>	<u>3,143,142</u>
Net OPEB liability (asset) - ending (a-b)	\$ <u><u>4,627,939</u></u>	\$ <u><u>4,157,544</u></u>	\$ <u><u>4,151,263</u></u>	\$ <u><u>4,276,366</u></u>

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

See notes to the Collaborative's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 8,399,020	\$ 7,836,258	\$ 7,613,835	\$ 7,419,508
Plan fiduciary net position	<u>3,771,081</u>	<u>3,678,714</u>	<u>3,462,572</u>	<u>3,143,142</u>
Net OPEB liability (asset)	<u>\$ 4,627,939</u>	<u>\$ 4,157,544</u>	<u>\$ 4,151,263</u>	<u>\$ 4,276,366</u>
Plan fiduciary net position as a percentage of the total OPEB liability	44.90%	46.94%	45.48%	42.36%
Covered employee payroll	\$ 10,414,874	\$ 10,111,528	\$ 11,612,861	\$ 11,360,179
Net OPEB liability as a percentage of covered employee payroll	44.44%	41.12%	35.75%	37.64%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 680,131	\$ 621,725	\$ 730,499	\$ 684,578
Contributions in relation to the actuarially determined contribution	<u>342,117</u>	<u>304,391</u>	<u>206,874</u>	<u>182,312</u>
Contribution deficiency (excess)	<u>\$ 338,014</u>	<u>\$ 317,334</u>	<u>\$ 523,625</u>	<u>\$ 502,266</u>
Covered employee payroll	\$ 10,414,874	\$ 10,111,528	\$ 11,612,861	\$ 11,360,179
Contributions as a percentage of covered employee payroll	3.25%	3.14%	4.51%	4.42%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	1.97%	5.64%	8.89%	12.78%

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

See notes to the Collaborative's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

Supplementary Information
Required Disclosures per Massachusetts General Laws Chapter 40, Section 4E

Chapter 40, Section 4E of the Massachusetts General Laws requires an education collaborative to present certain disclosures as part of the audited financial statements, including: (1) the names, duties and total compensation of the five most highly compensated employees; (2) transactions between the educational collaborative and any related for-profit or non-profit organization; (3) the amounts expended on services for individuals with disabilities, age 22 and older; (4) the amounts expended on administration and overhead; (5) any accounts held by the collaborative that may be spent at the discretion of another person or entity; (6) transactions or contracts related to the purchase, sale, rental, or lease of real property; and (7) annual determination and disclosure of cumulative surplus.

Accordingly, the Collaborative discloses the following:

Names, Duties, and Total Compensation of the Five Most Highly Compensated Employees

In fiscal year 2020, the names, duties, and total compensation of the Collaborative’s five most highly compensated employees are as follows:

<u>Name</u>	<u>Duties</u>	<u>Total Compensation</u>
1) Sanchita Banerjee	Administration - Executive Director	\$ 157,590
2) Jeffrey Albert	Administration/Supervision - Assistant Director	\$ 130,000
3) Teresa Daigle	Instruction - Speech and Language Pathologist	\$ 112,408
4) Therese Adams	Instruction - Occupational Therapist	\$ 108,960
5) Gwendolyn Bertrand	Instruction - Teacher	\$ 105,483

Transactions Between the Collaborative and Any Related For-Profit or Non-Profit Organization

In fiscal year 2020, there were no transactions between the Collaborative and any related for-profit or non-profit organizations.

Amounts Expended on Services for Individuals Aged 22 Years and Older

In fiscal year 2020, the Collaborative did not expend any monies on services for individuals aged 22 years and older.

Amounts Expended on Administration and Overhead

In fiscal year 2020, the Collaborative had the following administration and overhead expenditures:

	<u>Administration</u>	<u>Overhead</u>	<u>Direct Costs</u>	<u>Total Governmental Funds</u>
Expenditures				
Current:				
Program:				
Administration	\$ 561,068	\$ 7,500	\$ -	\$ 568,568
Supervision	-	15,000	714,810	729,810
Instruction	-	-	5,742,891	5,742,891
Instructional rent	-	407,746	21,118	428,864
Instructional insurance and benefits	-	-	1,673,529	1,673,529
Transportation operating	226,503	93,013	5,207,909	5,527,425
Transportation capital outlay	-	-	491,271	491,271
Total Expenditures	<u>\$ 787,571</u>	<u>\$ 523,259</u>	<u>\$ 13,851,528</u>	<u>\$ 15,162,358</u>

Accounts Held by the Collaborative that May Be Spent at the Discretion of Another Person or Entity

In fiscal year 2020, the Collaborative did not hold any accounts that may be spent at the discretion of another person or entity.

Transactions or Contracts Related to the Purchase, Sale, Rental, or Lease of Real Property

In fiscal year 2020, there were no transactions or contracts related to the purchase or sale of real property. Transactions related to the rental or lease of real property are summarized in the paragraphs below.

The Collaborative rents administrative, classroom, and transportation facilities from its member communities. These expenditures are transacted as rent credits, which reduce the gross program tuitions and transportation assessments of the applicable member communities. In fiscal year 2020, the Collaborative recorded administrative, program supervision, and instructional rent credits of \$7,500 per room for a total of \$150,000.

The Collaborative leases various spaces for additional administrative, classroom, and transportation facilities. In fiscal year 2020, the Collaborative paid a total of \$310,765 to Peter Central LLC for rental fees and \$15,000 to Littleton Public Schools for rental fees.

The Collaborative also leases transportation facilities from a private vendor. In fiscal year 2020, the Collaborative paid a total of \$41,810 to Wedgewood Realty Trust for rental fees and contracted maintenance charges for these transportation facilities.

Administration, program supervision, instruction and transportation tuition and assessment credits, as well as direct transportation facility rental expenditures are classified as overhead costs in the table of Administration and Overhead Expenditures on page 49.

Annual Determination and Disclosure of Cumulative Surplus

In fiscal year 2020, the Collaborative cumulative surplus was calculated as follows:

		Financial Statements
Voted Cumulative Surplus Calculation as of 6/30/19	\$ 4,179,852	Page 8
Amount of 6/30/19 cumulative surplus used to support the FY20 budget	(408,772)	Page 42
Amount of 6/30/19 cumulative surplus returned to member districts	(470,108)	
Unexpended FY20 General Funds	<u>2,088,073</u>	Page 12
Cumulative Surplus as of 6/30/20	<u>\$ 5,389,045</u>	
FY20 Total General Fund Expenditures	\$ 15,156,523	
FY20 MTRS on-behalf payment	(822,642)	
FY20 MSERS on-behalf payment	<u>(534,116)</u>	
Total expenditures subject to cumulative surplus percentage	<u>\$ 13,799,765</u>	
Cumulative Surplus Percentage	39%	



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Concord Area Special Education Collaborative

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Concord Area Special Education Collaborative, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated December 4, 2020.

Internal Control Over Financial Reporting

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

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



of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
December 4, 2020