

**CONCORD AREA  
SPECIAL EDUCATION COLLABORATIVE**

**Annual Financial Statements**

**For the Year Ended June 30, 2018**

**Concord Area Special Education Collaborative**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	13
Statement of Activities	14
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	19
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
<b>Notes to Financial Statements</b>	22
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
<b>Pension:</b>	
Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	47
Schedule of Pension Contributions (GASB 68)	48
<b>OPEB:</b>	
Schedule of Changes in Net OPEB Liability (GASB 74 and 75)	49
Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)	50
<b>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</b>	51

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Concord Area Special Education Collaborative

**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

### **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, 2018, 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 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, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund 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, and the Pension and OPEB schedules appearing on pages 47 to 50 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 Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018 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.

*Melanson Heath*

November 27, 2018

## **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, 2018.

### **A. 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 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**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.

**Other information.** 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.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$1,732,474 (i.e., net position), a change of \$(622,780) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$4,858,286, a change of \$92,346 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,040,616, a change of \$(572,427) in comparison to the prior year.

### C. 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 Activities	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 5,694,598	\$ 5,755,896
Capital assets	<u>1,184,136</u>	<u>1,421,085</u>
Total assets	6,878,734	7,176,981
Deferred outflows of resources	20,000	-
Current liabilities	730,522	835,129
Noncurrent liabilities	<u>4,309,858</u>	<u>896,391</u>
Total liabilities	5,040,380	1,731,520
Deferred inflows of resources	125,880	-
Net position:		
Net investment in capital assets	1,184,136	1,421,085
Restricted	90,921	7,109
Unrestricted	<u>457,417</u>	<u>4,017,267</u>
Total net position	<u>\$ 1,732,474</u>	<u>\$ 5,445,461</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 \$1,732,474, a change of \$(622,780) from the prior year.

The largest portion of net position, \$1,184,136 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, \$90,921, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$457,417 may be used to meet the Collaborative's ongoing obligations to citizens and creditors.



CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,326,956	\$ 5,885,328
Operating grants and contributions	2,910,558	3,604,909
General revenues:		
School year program member tuition and fees	6,553,946	6,000,750
School year program non-member tuition and fees	2,958,730	3,590,566
Summer program tuition and fees	651,950	661,975
Investment income	59,783	29,564
Miscellaneous	103,728	117,254
Total revenues	<u>18,565,651</u>	<u>19,890,346</u>
Expenses:		
Administration	581,876	623,667
Supervision	1,194,780	1,226,568
Instruction	10,185,565	10,159,854
Transportation	7,226,210	7,592,754
Total expenses	<u>19,188,431</u>	<u>19,602,843</u>
Change in net position	(622,780)	287,503
<sup>1</sup> Net position - beginning of year, as restated	<u>2,355,254</u>	<u>5,157,958</u>
Net position - end of year	<u>\$ 1,732,474</u>	<u>\$ 5,445,461</u>

<sup>1</sup> Restated from the prior year as described in Note 17.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(622,780). Key elements of this change are as follows:

General fund operations, as discussed in Section D	\$ 88,469
Special revenue fund expenditures over revenues	3,877
Transportation revenues used for capital assets	144,980
Current year depreciation expense	(381,929)
Change in long-term liabilities	(429,797)
Other	<u>(48,380)</u>
Total	<u>\$ (622,780)</u>

**D. FINANCIAL ANALYSIS OF 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.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$4,858,286, a change of \$92,346 in comparison to the prior year. Key elements of this change are as follows:

General fund operations, as described below	\$ 88,469
Nonmajor fund operating results	<u>3,877</u>
Total	<u><u>\$ 92,346</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,040,616, while total fund balance was \$4,840,443. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,040,616	\$ 3,613,043	\$ (572,427)	18.0%
Total fund balance	\$ 4,840,443	\$ 4,751,974	\$ 88,469	28.7%

The total fund balance of the general fund changed by \$88,469 during the current fiscal year. Key factors in this change are as follows:

Use of free cash (E&D) as a funding source	\$ (1,115,846)
Revenues less than budget	(413,884)
Expenditures less than budget	1,210,851
Expenditures of prior year encumbrances	(42,525)
Other	<u>449,873</u>
Total	<u><u>\$ 88,469</u></u>

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$100,000 which was funded from free cash.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$1,184,136 (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 four new passenger vans	\$144,980
Current year depreciation expense	\$(381,929)

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.

## **G. 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 2018, 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	\$ 150,000
2) Maureen Keegan	Supervision - Program Director	\$ 139,691
3) Deanne Cefalo	Supervision - Program Director	\$ 136,764
4) Sandra Daigneault	Administration/Supervision - Assistant Director	\$ 136,764
5) Beverly Beno	Administration - Director of Finance & Operations	\$ 108,328

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

In fiscal year 2018, 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 2018, 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 2018, the Collaborative had the following administration and overhead expenditures:

	<u>Administration</u>	<u>Overhead</u>	<u>Direct Costs</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>				
Current:				
Program:				
Administration	\$ 454,095	\$ 7,500	\$ -	\$ 461,595
Supervision	-	22,500	973,208	995,708
Instruction	-	-	7,071,528	7,071,528
Instructional rent	-	455,968	-	455,968
Instructional insurance and benefits	-	-	1,878,054	1,878,054
Transportation operating	240,313	61,313	5,568,620	5,870,246
Transportation capital outlay	-	-	144,980	144,980
Total Expenditures	<u>\$ 694,408</u>	<u>\$ 547,281</u>	<u>\$ 15,636,390</u>	<u>\$ 16,878,079</u>

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

In fiscal year 2018, 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 2018, 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 2018, the Collaborative recorded administrative, program supervision, and instructional rent credits of \$7,500 per room for a total of \$220,000, and transportation rent credits of \$2,500 per facility for a total of \$2,500.

The Collaborative leases various spaces for additional administrative, classroom, and transportation facilities. In fiscal year 2018, the Collaborative paid a total of \$189,517 to Peter Central LLC for rental fees, \$67,135 to EDCO Collaborative for rental fees and a security deposit, and \$15,000 to Littleton Public Schools for rental fees.

The Collaborative also leases transportation facilities from a private vendor. In fiscal year 2018, the Collaborative paid a total of \$61,313 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 10.

Annual Determination and Disclosure of Cumulative Surplus

In fiscal year 2018, the Collaborative cumulative surplus was calculated as follows:

		<b>Financial Statements</b>
Voted Cumulative Surplus Calculation as of 6/30/16	\$ 3,613,043	Page 8
Amount of 6/30/17 cumulative surplus used to support the FY18 budget	(1,115,846)	Page 19
Unexpended FY18 General Funds	<u>543,419</u>	
Cumulative Surplus as of 6/30/18	<u>\$ 3,040,616</u>	Page 15
FY18 Total General Fund Expenditures	\$ 16,877,008	Page 17
FY18 MTRS on-behalf payment	(806,610)	
FY18 MSERS on-behalf payment	<u>(455,393)</u>	
Total expenditures subject to cumulative surplus percentage	<u>\$ 15,615,005</u>	
Cumulative Surplus Percentage	19%	

## **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:

Beverly Beno  
Director of Finance & Operations  
Concord Area Special Education Collaborative  
120 Meriam Road  
Concord, Massachusetts 01742

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 5,097,183
Accounts receivable	517,481
Other assets	79,934
Noncurrent:	
Capital assets, net of accumulated depreciation	1,184,136
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to OPEB	<u>20,000</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,898,734</b>
<b>LIABILITIES</b>	
Current:	
Accounts payable	47,354
Accrued liabilities	588,060
Due to other funds	20,000
Other liabilities	66,735
Current portion of long-term liabilities:	
Compensated absences	8,373
Noncurrent:	
Compensated absences, net of current portion	33,492
Net OPEB liability	4,276,366
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to OPEB	<u>125,880</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>5,166,260</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,184,136
Restricted for:	
Grants and other	10,987
Nonspendable for security deposit	79,934
Unrestricted	<u>457,417</u>
<b>TOTAL NET POSITION</b>	<b><u><u>\$ 1,732,474</u></u></b>

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, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Administration	\$ 581,876	\$ -	\$ 60,697	\$ (521,179)
Supervision	1,194,780	-	63,212	(1,131,568)
Instruction	10,185,565	-	1,564,364	(8,621,201)
Transportation	<u>7,226,210</u>	<u>5,326,956</u>	<u>1,222,285</u>	<u>(676,969)</u>
Total Governmental Activities	<u>\$ 19,188,431</u>	<u>\$ 5,326,956</u>	<u>\$ 2,910,558</u>	<u>(10,950,917)</u>
			<b>General Revenues:</b>	
			School year program member tuition and fees	6,553,946
			School year program non-member tuition and fees	2,958,730
			Summer program tuition and fees	651,950
			Investment income	59,783
			Miscellaneous	<u>103,728</u>
			Total general revenues	<u>10,328,137</u>
			Change in Net Position	(622,780)
			<b>Net Position:</b>	
			Beginning of year, as restated	<u>2,355,254</u>
			End of year	<u>\$ 1,732,474</u>

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



CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 5,079,340	\$ 17,843	\$ 5,097,183
Accounts receivable	517,481	-	517,481
Other assets	<u>79,935</u>	<u>-</u>	<u>79,935</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,676,756</u></b>	<b><u>\$ 17,843</u></b>	<b><u>\$ 5,694,599</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 47,354	\$ -	\$ 47,354
Accrued liabilities	588,060	-	588,060
Due to other funds	20,000	-	20,000
Other liabilities	<u>66,736</u>	<u>-</u>	<u>66,736</u>
<b>TOTAL LIABILITIES</b>	<b>722,150</b>	<b>-</b>	<b>722,150</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	114,163	-	114,163
<b>FUND BALANCES</b>			
Nonspendable	79,934	-	79,934
Restricted	-	10,987	10,987
Committed	-	6,856	6,856
Assigned	1,719,893	-	1,719,893
Unassigned	<u>3,040,616</u>	<u>-</u>	<u>3,040,616</u>
<b>TOTAL FUND BALANCES</b>	<b><u>4,840,443</u></b>	<b><u>17,843</u></b>	<b><u>4,858,286</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 5,676,756</u></b>	<b><u>\$ 17,843</u></b>	<b><u>\$ 5,694,599</u></b>

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, 2018

<b>Total governmental fund balances</b>	\$ 4,858,286
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,184,136
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	114,163
• Long-term liabilities, including net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(4,318,231)
• Other	<u>(105,880)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 1,732,474</u></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, 2018

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
School year program member tuition and fees	\$ 6,553,946	\$ -	\$ 6,553,946
School year program non-member tuition and fees	2,958,730	-	2,958,730
Summer program tuition and fees	646,150	-	646,150
Transportation assessments	5,253,161	-	5,253,161
Intergovernmental	1,262,003	-	1,262,003
Investment income	59,783	2	59,785
Miscellaneous	231,704	4,946	236,650
	<hr/>	<hr/>	<hr/>
Total Revenues	16,965,477	4,948	16,970,425
<b>Expenditures:</b>			
Current:			
Program:			
Administration	461,595	-	461,595
Supervision	995,708	-	995,708
Instruction	7,070,457	1,071	7,071,528
Instructional rent	455,968	-	455,968
Instructional insurance and benefits	1,878,054	-	1,878,054
Transportation operating	5,870,246	-	5,870,246
Transportation capital outlay	144,980	-	144,980
	<hr/>	<hr/>	<hr/>
Total Expenditures	16,877,008	1,071	16,878,079
Change in fund balance	88,469	3,877	92,346
Fund Balance, at Beginning of Year	<hr/>	<hr/>	<hr/>
Fund Balance, at End of Year	\$ 4,751,974	13,966	4,765,940
	<hr/>	<hr/>	<hr/>
Fund Balance, at End of Year	\$ 4,840,443	\$ 17,843	\$ 4,858,286

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, 2018

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 92,346</b>										
<ul style="list-style-type: none"> <li>• 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:                     <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="width: 20%; text-align: right;">144,980</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(381,929)</td> </tr> </table> </li> <li>• 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., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.                     <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">(48,382)</td> </tr> </table> </li> <li>• 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:                     <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="width: 20%; text-align: right;">(426,518)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>(3,277)</u></td> </tr> </table> </li> </ul>		Capital outlay	144,980	Depreciation	(381,929)		(48,382)	Net OPEB liability and related deferred outflows and inflows of resources	(426,518)	Other	<u>(3,277)</u>
Capital outlay	144,980										
Depreciation	(381,929)										
	(48,382)										
Net OPEB liability and related deferred outflows and inflows of resources	(426,518)										
Other	<u>(3,277)</u>										
<b>Change in net position of governmental activities</b>	<b>\$ <u>(622,780)</u></b>										

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Positive <u>(Negative)</u>
<b>Revenues and other sources:</b>				
School year program member tuition and fees	\$ 6,375,760	\$ 6,375,760	\$ 6,553,946	\$ 178,186
School year program non-member tuition and fees	3,668,955	3,668,955	2,958,730	(710,225)
Summer program tuition and fees	707,000	707,000	640,350	(66,650)
Transportation assessments	5,255,661	5,255,661	5,253,161	(2,500)
Investment income	-	-	59,783	59,783
Miscellaneous	50,000	50,000	177,522	127,522
Other financing sources:				
Use of fund balance (School year program E&D)	-	100,000	100,000	-
Use of fund balance (Transportation E&D)	<u>1,015,846</u>	<u>1,015,846</u>	<u>1,015,846</u>	<u>-</u>
Total Revenues and Other Sources	17,073,222	17,173,222	16,759,338	(413,884)
<b>Expenditures and other uses:</b>				
Program:				
Administration	529,904	529,904	442,781	87,123
Supervision	1,060,460	1,060,460	970,973	89,487
Instruction	7,490,361	7,490,361	7,080,539	409,822
Instructional rent	468,500	568,500	456,829	111,671
Instructional insurance and benefits	1,252,490	1,252,490	1,074,719	177,771
Transportation operating	5,780,007	5,780,007	5,450,457	329,550
Transportation capital outlay	<u>491,500</u>	<u>491,500</u>	<u>486,073</u>	<u>5,427</u>
Total Expenditures and Other Uses	<u>17,073,222</u>	<u>17,173,222</u>	<u>15,962,371</u>	<u>1,210,851</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 796,967</u>	796,967
Budgetary basis adjustments:				
Use of fund balance (Transportation E&D)				(1,115,846)
Prior year encumbrances				(42,525)
Current year encumbrances				389,892
Other				<u>59,981</u>
Change in fund balance				<u>\$ 88,469</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, 2018

	Other Post-Employment Benefits Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and short-term investments	\$ -	\$ 1,622
Investments	3,442,572	-
Due from other funds	<u>20,000</u>	<u>-</u>
Total Assets	3,462,572	1,622
 <b>LIABILITIES AND NET POSITION</b>		
Student activity funds	<u>-</u>	<u>1,622</u>
Total Liabilities	<u>-</u>	<u>1,622</u>
 <b>NET POSITION</b>		
Restricted for OPEB purposes	<u>3,462,572</u>	<u>-</u>
Total Net Position	<u>\$ 3,462,572</u>	<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, 2018

	<u>Other Post-Employment Benefits Trust Fund</u>
<b>Additions:</b>	
Investment income	\$ 299,430
Contributions from employer	<u>206,874</u>
Total additions	506,304
<b>Deductions:</b>	
Benefit payments to plan members, beneficiaries and other systems	<u>186,874</u>
Total deductions	<u>186,874</u>
Net increase (decrease)	319,430
<b>Net position restricted for pensions and other purposes:</b>	
Beginning of year	<u>3,143,142</u>
End of year	<u><u>\$ 3,462,572</u></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 conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. 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 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

#### B. 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.



C. 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.

#### D. Cash and Short-Term 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. 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". The interest earnings attributable to each fund type are included under investment income.

#### E. 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 for the other post-employment benefit trust are held in the State Retiree Benefits Trust Fund, a state investment pool. Investments are carried at fair value.

#### F. 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).

#### G. 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

#### *H. 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.

#### *I. 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.

#### *J. 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.

#### K. 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**

#### A. 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 2018 transportation assessments are based on the weighted average number of pupils transported in June 2016).

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

#### B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final budget after all amendments, reclassifications, and supplemental appropriations (if any).

C. 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 with 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>Budget/GAAP Reconciliation</u>		
<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ <u>16,965,477</u>	\$ <u>16,877,008</u>
Subtotal (GAAP basis)	16,965,477	16,877,008
Reverse beginning of year appropriation carryforwards from expenditures	-	(42,525)
Add end-of-year appropriation carryforwards from expenditures	-	389,892
Recognize use of fund balance (E&D) as funding source	1,115,846	-
To reverse the effect of non-budgeted audit adjustments	<u>(1,321,985)</u>	<u>(1,262,004)</u>
Budgetary basis	<u>\$ 16,759,338</u>	<u>\$ 15,962,371</u>

**3. Cash and Short-Term 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 sixty per cent 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, 2018, \$739,508 of the Collaborative's bank balance of \$8,892,833 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the Collaborative's name.

#### 4. **Investments**

##### A. **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 of the Collaborative:

<u>Investment Type</u>	<u>Amount</u>	Minimum Legal <u>Rating</u>	Exempt From <u>Disclosure</u>
State investment pool*	\$ <u>3,443</u>	N/A	\$ <u>3,443</u>
Total investments	\$ <u><u>3,443</u></u>		\$ <u><u>3,443</u></u>

*\*Fair value is the same as the value of the pool share. The State Retiree Benefits Trust (SRBT) Fund was created under Massachusetts General Law, Chapter 32, Section 24 and 24A. The SRBT Fund is managed by the SRBT Fund Board of Trustees, who by law employ the Pension Reserve Investment Management Board to invest the SRBT Fund's assets in the Pension Reserves Investments Trust Fund.*

##### B. **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 policies for custodial credit risk.

As of June 30, 2018, none of the Collaborative's investments were subject to custodial credit risk.

##### C. **Concentration of Credit Risk**

The Collaborative places no limit on the amount they may invest in any one issuer. As of June 30, 2018, the Collaborative's investments are held in the Pension Reserves Investment Trust Fund, a state investment pool.

D. 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 a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2018, the Collaborative's investments are held in the Pension Reserves Investment Trust Fund, a state investment pool.

E. 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 policies for foreign currency risk.

F. 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the Collaborative's investments are with Pension Reserves Investment Trust, which are considered an external investment pool and are not subject to Level 1, 2, or 3 classifications.

The Collaborative has the following fair value measurements as of June 30, 2018:

<u>Description</u>	<u>Value</u>		
Investments measured at the net asset value (NAV):			
External investment pool	\$ <u>3,442,572</u>		
Total	\$ <u>3,442,572</u>		
		Redemption	
		Frequency	Redemption
		(If currently	Notice
		eligible)	Period
<u>Description</u>	<u>Value</u>		
External investment pool	\$ 3,442,572	Monthly	30 days

**5. Accounts Receivable**

Accounts receivable represents \$409,118 due from member and non-member communities for services rendered in fiscal year 2018 and \$108,363 due from the Lincoln-Sudbury Regional School District for transportation capital acquisitions.

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	Balance <u>7/1/17</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/18</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Vehicles	\$ <u>3,791</u>	\$ <u>145</u>	\$ <u>(224)</u>	\$ <u>3,712</u>
Total capital assets, being depreciated	3,791	145	(224)	3,712
Less accumulated depreciation for:				
Vehicles	<u>(2,370)</u>	<u>(382)</u>	<u>224</u>	<u>(2,528)</u>
Total accumulated depreciation	<u>(2,370)</u>	<u>(382)</u>	<u>224</u>	<u>(2,528)</u>
Governmental activities capital assets, net	<u>\$ 1,421</u>	<u>\$ (237)</u>	<u>\$ -</u>	<u>\$ 1,184</u>

Depreciation expense for the year ended June 30, 2018 was charged to functions of the Collaborative as follows (in thousands):

Governmental Activities:	
Transportation	\$ <u>382</u>
Total depreciation expense	\$ <u>382</u>

**7. 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.

**8. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent fiscal year 2018 expenditures paid after June 30, 2018.



**9. Long-Term Liabilities**

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/17</u>	Additions	Reductions	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Compensated absences	\$ 39	\$ 4	\$ (1)	\$ 42	\$ (8)	\$ 34
Net OPEB liability	<u>3,986</u>	<u>290</u>	<u>-</u>	<u>4,276</u>	<u>-</u>	<u>4,276</u>
Totals	<u>\$ 4,025</u>	<u>\$ 294</u>	<u>\$ (1)</u>	<u>\$ 4,318</u>	<u>\$ (8)</u>	<u>\$ 4,310</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, 2018:

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, 2018:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Security deposit	\$ 79,934	\$ -	\$ 79,934
Total Nonspendable	79,934	-	79,934
Restricted			
Donation fund	-	10,987	10,987
Total Restricted	-	10,987	10,987
Committed			
Professional development	-	6,856	6,856
Total Committed	-	6,856	6,856
Assigned			
Encumbrances	389,892	-	389,892
Appropriated fund balance	1,330,001	-	1,330,001
Total Assigned	1,719,893	-	1,719,893
Unassigned			
General fund	3,040,616	-	3,040,616
Total Unassigned	3,040,616	-	3,040,616
Total Fund Balance	\$ 4,840,443	\$ 17,843	\$ 4,858,286

## 12. Massachusetts State Employees' Retirement System (MSERS)

### A. 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 three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five 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 twenty years of creditable service or upon reaching the age of 55 with ten 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

### B. Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% 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 and 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-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)
- 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, 2017 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	40.00%	5.00%
Portfolio completion strategies	13.00%	3.60%
Core fixed income	12.00%	1.10%
Private equity	11.00%	6.60%
Value added fixed income	10.00%	3.80%
Real estate	10.00%	3.60%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</u>	

*C. Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. 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.

*D. 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 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 (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
June 30, 2018	\$ 17,466,800	\$ 12,824,768	\$ 9,085,500

E. 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.

F. Collaborative Proportions

In fiscal year 2017 (the most recent measurement period), the Commonwealth's total proportionate share of the net pension liability and pension expense associated with the Collaborative was \$13,017,348 and \$1,684,354 respectively, based on a proportionate share of 0.1015%. As required by GASB 68, the Collaborative has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

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

A. 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.

*B. 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 three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five 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 ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten 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.

*C. 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

#### D. Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% 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.
- 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 BB and a base year 2014 set forward 4 years.

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, 2017 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	40.00%	5.00%
Portfolio Completion Strategies	13.00%	3.60%
Core fixed income	12.00%	1.10%
Private equity	11.00%	6.60%
Value added fixed income	10.00%	3.80%
Real estate	10.00%	3.60%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</u>	



E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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.

F. 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):

<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

G. 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 non-employer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Collaborative Proportions

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Collaborative was \$14,940,804 and \$1,559,415 respectively, based on a proportionate share of 0.065285%. As required by GASB 68, the Collaborative has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense as both a revenue and expense in the governmental activities.

**14. Other Post-Employment Benefits (GASB 75)**

*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 July 1, 2017.

**A. 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.

Plan Membership

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	40
Active employees	<u>247</u>
Total	<u><u>287</u></u>

**B. Actuarial Assumptions and Other Inputs**

The net OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	7.04%, net of OPEB plan investment expense
Municipal bond rate	3.13%
Discount rate	5.75%
Healthcare cost trend rates	5% for 2017
Retirees' share of benefit-related costs	50%

Mortality rates for pre-retirement were based on RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for post-retirement were based on RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for disabled were based on RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2015.

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 July 1, 2017 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%	4.00%
Domestic Equity - Small/Mid Cap	3.50%	6.00%
International Equity - Developed Market	16.00%	4.50%
International Equity - Emerging Market	6.00%	7.00%
Domestic Fixed Income	20.00%	2.00%
International Fixed Income	3.00%	3.00%
Alternatives	23.00%	6.50%
Real Estate	14.00%	6.25%
Total	<u>100.00%</u>	

### C. Discount Rate

The discount rate used to measure the net OPEB liability was 5.75%. 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 was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 7.04% and municipal bond rate of 3.13% (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2017).

*D. Net OPEB Liability*

The components of the net OPEB liability, measured as of July 1, 2017, were as follows:

Total OPEB liability	\$ 7,419,508
Plan fiduciary net position	<u>3,143,142</u>
Net OPEB liability	<u>\$ 4,276,366</u>

*E. Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 6,746,148	\$ 2,760,420	\$ 3,985,728
Changes for the year:			
Service cost	418,048	-	418,048
Interest	407,624	-	407,624
Contributions - employer	-	182,312	(182,312)
Net investment income	-	352,722	(352,722)
Benefit payments	<u>(152,312)</u>	<u>(152,312)</u>	<u>-</u>
Net Changes	<u>673,360</u>	<u>382,722</u>	<u>290,638</u>
Balances, end of year	<u>\$ 7,419,508</u>	<u>\$ 3,143,142</u>	<u>\$ 4,276,366</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 6.00% in 2016 to 5.75% in 2017.

*F. 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% Decrease	Current Discount Rate	1% Increase
\$ 2,178,734	\$ 4,276,366	\$ 6,910,538

G. 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 were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 5,475,538	\$ 4,276,366	\$ 3,319,694

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

For the year ended June 30, 2018, the Collaborative recognized an OPEB expense of \$416,518. At June 30, 2018, the Collaborative reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Contributions subsequent to the measurement date	\$ 20,000	\$ -
Difference between expected and actual experience	<u>-</u>	<u>125,880</u>
Total	<u>\$ 20,000</u>	<u>\$ 125,880</u>

The \$20,000 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

<u>Year Ended June 30:</u>	
2019	\$ (31,470)
2020	(31,470)
2021	(31,470)
2022	<u>(31,470)</u>
Total	<u>\$ (125,880)</u>

**15. Other Post-Employment Benefits (GASB 74)**

*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 an OPEB Trust Fund to provide funding for future employee health care costs.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

**A. Investments**

The OPEB trust fund assets are held in a state investment pool.

*Rate of return.* For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.89 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**B. Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	7.04%, net of OPEB plan investment expense
Municipal bond rate	3.45%
Discount rate	6.25%
Healthcare cost trend rates	5.00% for 2018
Retirees' share of benefit-related costs	50.00%

Mortality rates for pre-retirement were based on RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for post-retirement were based on RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Mortality rates for disabled were based on RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2015.

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, 2018 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%	4.00%
Domestic Equity - Small/Mid Cap	3.50%	6.00%
International Equity - Developed Market	16.00%	4.50%
International Equity - Emerging Market	6.00%	7.00%
Domestic Fixed Income	20.00%	2.00%
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>	

*C. Discount Rate*

The discount rate used to measure the total OPEB liability was 6.25%. 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 was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 7.04% and municipal bond rate of 3.45% (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2018).

*D. Net OPEB Liability*

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 7,613,835
Plan fiduciary net position	<u>3,462,572</u>
Net OPEB liability	<u><u>\$ 4,151,263</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	45.48%
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**E. 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:

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 5,352,850	\$ 4,151,263	\$ 3,181,377

**F. 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 were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
\$ 2,084,055	\$ 4,151,263	\$ 6,773,758

**16. Commitments and Contingencies**

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 2018, the Collaborative did not receive or expend any federal or state grant funds.

**17. Beginning Fund Balance Restatement**

The beginning (July 1, 2017) fund balance of the Collaborative has been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental</u> <u>Activities</u>
As previously reported	\$ 5,445,461
Implementation of GASB 75 OPEB	<u>(3,090,207)</u>
As restated	<u>\$ 2,355,254</u>



**CONCORD AREA SPECIAL EDUCATION COLLABORATIVE**

**SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (GASB 68)**

**JUNE 30, 2018  
(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, 2018	June 30, 2017	0.10150%	\$ -	\$ 13,017,348	\$ 13,017,348	\$ 5,513,967	-	67.21%
June 30, 2017	June 30, 2016	0.10506%	\$ -	\$ 14,486,536	\$ 14,486,536	\$ 5,795,679	-	63.48%
June 30, 2016	June 30, 2015	0.10303%	\$ -	\$ 11,727,901	\$ 11,727,901	\$ 5,851,807	-	67.87%
June 30, 2015	June 30, 2014	0.10431%	\$ -	\$ 7,744,418	\$ 7,744,418	\$ 5,750,125	-	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, 2018	June 30, 2017	0.065285%	\$ -	\$ 14,940,804	\$ 14,940,804	\$ 4,584,365	-	54.25%
June 30, 2017	June 30, 2016	0.069674%	\$ -	\$ 15,577,621	\$ 15,577,621	\$ 4,433,479	-	52.73%
June 30, 2016	June 30, 2015	0.070960%	\$ -	\$ 14,539,513	\$ 14,539,513	\$ 4,582,903	-	55.38%
June 30, 2015	June 30, 2014	0.072876%	\$ -	\$ 11,584,563	\$ 11,584,563	\$ 4,498,094	-	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**

**SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**JUNE 30, 2018  
(Unaudited)**

Massachusetts State Employees' Retirement System

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<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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

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<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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%

*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  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)**

(Unaudited)

	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 430,236	\$ 418,048
Interest on unfunded liability - time value of \$	484,858	407,624
Differences between expected and actual experience	(533,893)	-
Benefit payments, including refunds of member contributions	<u>(186,874)</u>	<u>(152,312)</u>
Net change in total OPEB liability	194,327	673,360
Total OPEB liability - beginning	<u>7,419,508</u>	<u>6,746,148</u>
<b>Total OPEB liability - ending (a)</b>	<b><u>\$ 7,613,835</u></b>	<b><u>\$ 7,419,508</u></b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 206,874	\$ 182,312
Net investment income	299,430	352,722
Benefit payments, including refunds of member contributions	<u>(186,874)</u>	<u>(152,312)</u>
Net change in plan fiduciary net position	319,430	382,722
Plan fiduciary net position - beginning	<u>3,143,142</u>	<u>2,760,420</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 3,462,572</u></b>	<b><u>\$ 3,143,142</u></b>
<b>Net OPEB liability (asset) - ending (a-b)</b>	<b><u>\$ 4,151,263</u></b>	<b><u>\$ 4,276,366</u></b>

*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  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)**

(Unaudited)

**Schedule of Net OPEB Liability**

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 7,613,835	\$ 7,419,508
Plan fiduciary net position	<u>3,462,572</u>	<u>3,143,142</u>
Net OPEB liability (asset)	<u>\$ 4,151,263</u>	<u>\$ 4,276,366</u>
Plan fiduciary net position as a percentage of the total OPEB liability	45.48%	42.36%
Covered payroll	\$ 11,612,861	\$ 11,360,179
Participating employer net OPEB liability (asset) as a percentage of covered payroll	35.75%	37.64%

**Schedule of Contributions**

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 730,499	\$ 684,578
Contributions in relation to the actuarially determined contribution	<u>206,874</u>	<u>182,312</u>
Contribution deficiency (excess)	<u>\$ 523,625</u>	<u>\$ 502,266</u>
Covered employee payroll	\$ 11,612,861	\$ 11,360,179
Contributions as a percentage of covered employee payroll	1.78%	1.60%

**Schedule of Investment Returns**

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	8.89%	12.78%

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

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

See Independent Auditors' Report.

**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

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, 2018, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated November 27, 2018.

**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.

*Melanson Heath*

November 27, 2018