



CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Management Letter
For the Year Ended June 30, 2020

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To the Board of Directors
Concord Area Special Education Collaborative

In planning and performing our audit of the basic financial statements of the Concord Area Special Education Collaborative as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Collaborative's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 over financial reporting.

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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During our audit, we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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The Collaborative's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Melanson

Andover, Massachusetts
December 4, 2020



PRIOR YEAR RECOMMENDATIONS:

1. Reduce Cumulative Surplus

Prior Year Issue:

In the prior year, we recommended the Collaborative comply with Massachusetts General Law and accompanying regulations by returning (or crediting) excess funds to member districts.

Current Year Status:

During fiscal year 2020, the Collaborative credited excess funds to member districts to resolve the excess cumulative surplus as of June 30, 2019.

The Collaborative's cumulative surplus as of June 30, 2020 exceeded the allowable 25% of the audited year's general fund expenditures. The cumulative surplus was 39% of the fiscal year 2020's general fund expenditures.

Further Action Needed:

We recommend the Collaborative comply with Massachusetts General Law and accompanying regulations by returning (or crediting) excess funds to member districts consistent with the process outlined in the Concord Area Special Education Collaborative Agreement to reduce the cumulative surplus to no more than 25%. The cumulative surplus was determined in accordance with Massachusetts General Law subsequent to the Collaborative's independent audit.

Collaborative's Response:

CASE agrees with the auditors' recommendation and will work to ensure credits are processed according to MGL.

2. Ensure Check Registers Agree to Approved Warrants

Prior Year Issue:

In the prior year, we recommended the Treasurer ensure that each check register agrees to the warrant approved by the Board of Directors.

Current Year Status:

This issue was not addressed in fiscal year 2020.

Further Action Needed:

We continue to recommend the Treasurer ensure that each check register agrees to the warrant approved by the Board of Directors before transferring the funds in the bank.

Collaborative's Response:

CASE agrees with the recommendation and will work to ensure the Treasurer's Check Register agrees to approved warrants. We will implement a formalized process where approval is recorded.

CURRENT YEAR RECOMMENDATIONS:

3. Prepare for GASB Statements 84 and 87

GASB Statements 84 and 87 will apply to the Collaborative in fiscal years 2021 and 2022 respectively. Statement 84 addresses Fiduciary Activities and may require change in how the Collaborative accounts and reports these activities. Statement 87 addresses leases and significantly changes the accounting standards for leases and will now require various operating leases to be reported on the Collaborative's balance sheets.

We recommend that the Finance Department prepare for these accounting changes. The Finance Department should also consider updating its lease accounting policy to ensure all material leases are properly identified.

Collaborative's Response:

Management will ensure compliance with GASB 84 and 87.

4. Amend Fiscal Year 2021 School Year and Summer Program Revenue Budgets

Budgeted revenues must equal budgeted expenditures for municipalities. During our testing of the fiscal year 2021 School Year and Summer Program budgets, we noted the total budgeted revenues did not agree to the total budgeted expenditures, which agreed to the amounts approved by the Board of Directors.

We recommend that the Finance Department amend the fiscal year 2021 School Year and Summer Program revenue budgets to appropriately report a balanced fiscal year 2021 budget.

Collaborative's Response:

CASE agrees to amend the fiscal year 2021 School Year and Summer Program revenue budgets to appropriately report a balanced fiscal year 2021 budget.