

**CONCORD AREA
SPECIAL EDUCATION COLLABORATIVE**

Annual Financial Statements

For the Year Ended June 30, 2017

Concord Area Special Education Collaborative

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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, 2017, 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, 2017, 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 45 to 49 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 29, 2017 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 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 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 29, 2017

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, 2017.

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 exceeded liabilities by \$5,445,461 (i.e., net position), a change of \$287,503 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$4,765,940, a change of \$757,877 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,613,043, a change of \$484,208 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>2017</u>	<u>2016</u>
Current and other assets	\$ 5,755,896	\$ 5,029,221
Capital assets	<u>1,421,085</u>	<u>1,354,389</u>
Total assets	7,176,981	6,383,610
Current liabilities	835,129	811,689
Noncurrent liabilities	<u>896,391</u>	<u>413,962</u>
Total liabilities	1,731,520	1,225,651
Net position:		
Net investment in capital assets	1,421,085	1,354,389
Restricted	7,109	9,576
Unrestricted	<u>4,017,267</u>	<u>3,793,993</u>
Total net position	<u>\$ 5,445,461</u>	<u>\$ 5,157,958</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 \$5,445,461, a change of \$287,503 from the prior year.

The largest portion of net position, \$1,421,085 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, \$7,109, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,017,267 may be used to meet the Collaborative's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	Governmental	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,885,328	\$ 5,978,899
Operating grants and contributions	3,604,909	2,494,343
General revenues:		
School year program member tuition and fees	6,000,750	5,755,781
School year program non-member tuition and fees	3,590,566	3,858,816
Summer program tuition and fees	661,975	703,056
Investment income	29,564	11,243
Miscellaneous	117,254	104,578
Total revenues	<u>19,890,346</u>	<u>18,906,716</u>
Expenses:		
Administration	623,667	562,290
Supervision	1,226,568	951,076
Instruction	10,159,854	7,340,951
¹ Instructional insurance and benefits	-	3,014,495
Transportation	7,592,754	5,991,416
Total expenses	<u>19,602,843</u>	<u>17,860,228</u>
Change in net position before transfers	287,503	1,046,488
Transfers (net)	<u>-</u>	<u>(20,000)</u>
Change in net position	287,503	1,026,488
Net position - beginning of year	<u>5,157,958</u>	<u>4,131,470</u>
Net position - end of year	<u>\$ 5,445,461</u>	<u>\$ 5,157,958</u>

¹ Instructional insurance and benefits allocated to other functions in fiscal year 2017.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$287,503. Key elements of this change are as follows:

General fund operations, as discussed in Section D	\$ 760,343
Special revenue fund expenditures over revenues	(2,466)
Transportation revenues used for capital assets	451,324
Current year depreciation expense	(368,263)
Change in long-term liabilities	(482,887)
Other	(70,548)
Total	<u>\$ 287,503</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$4,765,940, a change of \$757,877 in comparison to the prior year. Key elements of this change are as follows:

General fund operations, as described below	\$ 760,343
Major fund operating results	<u>(2,466)</u>
Total	<u>\$ 757,877</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 \$3,613,043, while total fund balance was \$4,751,974. 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>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,613,043	\$ 3,128,835	\$ 484,208	21.0%
Total fund balance	\$ 4,751,974	\$ 3,991,631	\$ 760,343	27.7%

The total fund balance of the general fund changed by \$760,343 during the current fiscal year. Key factors in this change are as follows:

Use of free cash (E&D) as a funding source	\$ (825,126)
Revenues less than budget	88,542
Expenditures less than budget	1,417,370
Expenditures of prior year encumbrances	(34,991)
Other	<u>114,548</u>
Total	<u>\$ 760,343</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$1,421,085 (net of accumulated depreciation). This investment in capital assets represents transportation vehicles.

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

Purchase of twelve new passenger vans	\$451,324
Current year depreciation expense	\$(368,263)
Loss on disposal of various vehicles	\$(16,365)

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 2017, 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) Deanne Cefalo	Supervision - Program Director	\$ 134,083
2) Sandra Daigneault	Administration/Supervision - Assistant Director	\$ 134,083
3) Maureen Keegan	Supervision - Program Director	\$ 130,570
4) Thomas Jefferson	Administration - Executive Director	\$ 122,983
5) Ann Prendergast	Instruction - Teacher	\$ 111,467

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

In fiscal year 2017, 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 2017, 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 2017, the Collaborative had the following administration and overhead expenditures:

	<u>Administration</u>	<u>Overhead</u>	<u>Direct Costs</u>	<u>Total Governmental Funds</u>
Expenditures:				
Current:				
Program:				
Administration	\$ 448,669	\$ 7,500	\$ -	\$ 456,169
Supervision	-	22,500	926,934	949,434
Instruction	-	-	7,257,927	7,257,927
Instructional rent	-	217,500	-	217,500
Instructional insurance and benefits	-	-	2,613,415	2,613,415
Transportation operating	225,802	46,200	4,957,019	5,229,021
Transportation capital outlay	-	-	451,324	451,324
Total Expenditures	<u>\$ 674,471</u>	<u>\$ 293,700</u>	<u>\$ 16,206,619</u>	<u>\$ 17,174,790</u>

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

In fiscal year 2017, 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 2017, 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 2017, the Collaborative recorded administrative, program supervision, and instructional rent credits of \$7,500 per room for a total of \$232,500, and transportation rent credits of \$2,500 per facility for a total of \$2,500.

During fiscal year 2017, the Collaborative signed an agreement to rent a building for additional administrative, classroom, and transportation facilities. A security deposit of \$74,250 was paid in fiscal year 2017. The Collaborative will start using the building and making monthly rent payments in the beginning of fiscal year 2018.

The Collaborative also leases transportation facilities from a private vendor. In fiscal year 2017, the Collaborative paid a total of \$46,200 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 2017, the Collaborative cumulative surplus was calculated as follows:

		Financial Statements
Voted Cumulative Surplus Calculation as of 6/30/16	\$ 3,128,835	Page 8
Amount of 6/30/16 cumulative surplus used to support the FY17 budget	(825,126)	Page 19
Unexpended FY17 General Funds	<u>1,309,334</u>	
Cumulative Surplus as of 6/30/17	<u>\$ 3,613,043</u>	Page 15
FY17 Total General Fund Expenditures	\$ 17,168,296	Page 17
Cumulative Surplus Percentage	21%	

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, 2017

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 4,161,875
Accounts receivable	1,519,771
Other assets	74,250
Noncurrent:	
Capital assets, net of accumulated depreciation	<u>1,421,085</u>
TOTAL ASSETS	7,176,981
LIABILITIES	
Current:	
Accounts payable	68,685
Accrued liabilities	694,338
Other liabilities	64,389
Current portion of long-term liabilities:	
Compensated absences	7,717
Noncurrent:	
Compensated absences, net of current portion	30,869
Net OPEB obligation	<u>865,522</u>
TOTAL LIABILITIES	1,731,520
NET POSITION	
Net investment in capital assets	1,421,085
Restricted for:	
Grants and other	7,109
Unrestricted	<u>4,017,267</u>
TOTAL NET POSITION	\$ <u>5,445,461</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<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>
Governmental Activities:				
Administration	\$ 623,667	\$ -	\$ 92,170	\$ (531,497)
Supervision	1,226,568	-	132,464	(1,094,104)
Instruction	10,159,854	-	1,593,046	(8,566,808)
Transportation	<u>7,592,754</u>	<u>5,885,328</u>	<u>1,787,229</u>	<u>79,803</u>
Total Governmental Activities	<u>\$ 19,602,843</u>	<u>\$ 5,885,328</u>	<u>\$ 3,604,909</u>	(10,112,606)
		General Revenues:		
				6,000,750
				3,590,566
				661,975
				29,564
				<u>117,254</u>
				10,400,109
				<u>287,503</u>
			Net Position:	
				<u>5,157,958</u>
				<u>\$ 5,445,461</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 4,146,134	\$ 15,741	\$ 4,161,875
Accounts receivable	1,519,771	-	1,519,771
Other assets	<u>74,250</u>	<u>-</u>	<u>74,250</u>
TOTAL ASSETS	<u>\$ 5,740,155</u>	<u>\$ 15,741</u>	<u>\$ 5,755,896</u>
LIABILITIES			
Accounts payable	\$ 68,685	\$ -	\$ 68,685
Accrued liabilities	694,338	-	694,338
Other liabilities	<u>62,614</u>	<u>1,775</u>	<u>64,389</u>
TOTAL LIABILITIES	825,637	1,775	827,412
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	162,544	-	162,544
FUND BALANCES			
Nonspendable	74,250	-	74,250
Restricted	-	7,109	7,109
Committed	-	6,857	6,857
Assigned	1,064,681	-	1,064,681
Unassigned	<u>3,613,043</u>	<u>-</u>	<u>3,613,043</u>
TOTAL FUND BALANCES	<u>4,751,974</u>	<u>13,966</u>	<u>4,765,940</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,740,155</u>	<u>\$ 15,741</u>	<u>\$ 5,755,896</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2017

Total governmental fund balances	\$ 4,765,940
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,421,085
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	162,544
• Long-term liabilities, including net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(904,108)</u>
Net position of governmental activities	<u>\$ 5,445,461</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, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
School year program member tuition and fees	\$ 6,000,750	\$ -	\$ 6,000,750
School year program non-member tuition and fees	3,590,566	-	3,590,566
Summer program tuition and fees	661,975	-	661,975
Transportation assessments	5,841,052	-	5,841,052
Intergovernmental	1,589,019	2,194	1,591,213
Investment income	29,564	2	29,566
Miscellaneous	<u>215,713</u>	<u>1,832</u>	<u>217,545</u>
Total Revenues	17,928,639	4,028	17,932,667
Expenditures:			
Current:			
Program:			
Administration	456,169	-	456,169
Supervision	947,588	-	947,588
Instruction	7,253,279	6,494	7,259,773
Instructional rent	217,500	-	217,500
Instructional insurance and benefits	2,613,415	-	2,613,415
Transportation operating	5,229,021	-	5,229,021
Transportation capital outlay	<u>451,324</u>	<u>-</u>	<u>451,324</u>
Total Expenditures	<u>17,168,296</u>	<u>6,494</u>	<u>17,174,790</u>
Change in fund balance	760,343	(2,466)	757,877
Fund Balance, at Beginning of Year	<u>3,991,631</u>	<u>16,432</u>	<u>4,008,063</u>
Fund Balance, at End of Year	<u>\$ 4,751,974</u>	<u>\$ 13,966</u>	<u>\$ 4,765,940</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds	\$ 757,877											
<ul style="list-style-type: none"> 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> <tr> <td style="padding-left: 40px;">Capital outlay</td> <td style="text-align: right;">451,324</td> </tr> <tr> <td style="padding-left: 40px;">Loss on disposal of assets</td> <td style="text-align: right;">(16,364)</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(368,263)</td> </tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td style="padding-left: 40px;">Change in net OPEB liability</td> <td style="text-align: right;">(480,589)</td> </tr> <tr> <td style="padding-left: 40px;">Other</td> <td style="text-align: right;">(2,298)</td> </tr> </table> 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 differ between the two statements. This amount represents the net change in deferred inflows of resources. <table> <tr> <td style="text-align: right;">(54,184)</td> </tr> </table> 		Capital outlay	451,324	Loss on disposal of assets	(16,364)	Depreciation	(368,263)	Change in net OPEB liability	(480,589)	Other	(2,298)	(54,184)
Capital outlay	451,324											
Loss on disposal of assets	(16,364)											
Depreciation	(368,263)											
Change in net OPEB liability	(480,589)											
Other	(2,298)											
(54,184)												
Change in net position of governmental activities	\$ <u>287,503</u>											

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, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts	Final Budget
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	Positive
				<u>(Negative)</u>
Revenues and other sources:				
School year program member tuition and fees	\$ 6,223,008	\$ 6,223,008	\$ 6,000,750	\$ (222,258)
School year program non-member tuition and fees	3,337,765	3,337,765	3,590,566	252,801
Summer program tuition and fees	707,000	707,000	661,975	(45,025)
Transportation assessments	5,843,553	5,843,553	5,841,052	(2,501)
Investment income	-	-	29,564	29,564
Miscellaneous	85,000	85,000	160,961	75,961
Other financing sources:				
Use of fund balance (Transportation E&D)	<u>825,126</u>	<u>825,126</u>	<u>825,126</u>	<u>-</u>
Total Revenues and Other Sources	17,021,452	17,021,452	17,109,994	88,542
Expenditures and other uses:				
Program:				
Administration	467,075	491,335	457,546	33,789
Supervision	1,007,067	992,592	951,945	40,647
Instruction	7,541,954	7,541,954	7,280,913	261,041
Instructional rent	205,500	205,500	217,500	(12,000)
Instructional insurance and benefits	1,120,217	1,110,432	1,024,396	86,036
Transportation operating	6,181,179	6,181,179	5,209,498	971,681
Transportation capital outlay	487,500	487,500	451,324	36,176
Other financing uses:				
Prior year deficit	<u>10,960</u>	<u>10,960</u>	<u>10,960</u>	<u>-</u>
Total Expenditures and Other Uses	<u>17,021,452</u>	<u>17,021,452</u>	<u>15,604,082</u>	<u>1,417,370</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,505,912</u>	1,505,912
Budgetary basis adjustments:				
Use of fund balance (Transportation E&D)				(825,126)
Prior year encumbrances				(34,991)
Current year encumbrances				48,836
Other				<u>65,712</u>
Change in fund balance				<u>\$ 760,343</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, 2017

	Other Post Employment Benefits Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and short-term investments	\$ -	\$ 2,344
Investments	<u>3,143,142</u>	<u>-</u>
Total Assets	3,143,142	2,344
 LIABILITIES AND NET POSITION		
Student activity funds	<u>-</u>	<u>2,344</u>
Total Liabilities	<u>-</u>	<u>2,344</u>
 NET POSITION		
Restricted for:		
Other post-employment benefits	<u>3,143,142</u>	<u>-</u>
Total net position held in trust	<u><u>\$ 3,143,142</u></u>	<u><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, 2017

	<u>Other Post Employment Benefits Trust Fund</u>
Additions:	
Investment income (loss)	\$ 352,722
Contributions from employer	<u>182,312</u>
Total additions	535,034
Deductions:	
Benefit payments to plan members, beneficiaries and other systems	<u>152,312</u>
Total deductions	<u>152,312</u>
Net increase (decrease)	382,722
Net position:	
Beginning of year	<u>2,760,420</u>
End of year	<u><u>\$ 3,143,142</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 2017, 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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. 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

G. 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.

H. 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.

I. 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.

J. 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 2017 transportation assessments are based on the weighted average number of pupils transported in June 2015).

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>17,928,639</u>	\$ <u>17,168,296</u>
Subtotal (GAAP basis)	17,928,639	17,168,296
Reverse beginning of year appropriation carryforwards from expenditures	-	(34,991)
Add end-of-year appropriation carryforwards from expenditures	-	48,836
Recognize use of fund balance (E&D) as funding source	825,126	-
To reverse the effect of non-budgeted audit adjustments	<u>(1,643,771)</u>	<u>(1,578,059)</u>
Budgetary basis	<u>\$ 17,109,994</u>	<u>\$ 15,604,082</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, 2017, \$201,795 of the Collaborative's bank balance of \$4,398,781 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>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
State investment pool*	\$ <u>3,143</u>	N/A	\$ <u>3,143</u>
Total investments	\$ <u>3,143</u>		\$ <u>3,143</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, 2017, 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, 2017, 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, 2017, 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, 2017:

<u>Description</u>	<u>Value</u>		
Investments measured at the net asset value (NAV):			
External investment pool	\$ <u>3,143,142</u>		
Total	\$ <u><u>3,143,142</u></u>		
		Redemption Frequency (If currently eligible)	Redemption Notice Period
<u>Description</u>	<u>Value</u>	<u>eligible)</u>	<u>Period</u>
External investment pool	\$ 3,143,142	Monthly	30 days

5. Accounts Receivable

Accounts receivable represents \$1,357,226 due from member and non-member communities for services rendered in fiscal year 2017 and \$162,545 due from the Lincoln-Sudbury Regional School District for transportation capital acquisitions.

6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	Balance <u>7/1/16</u>	Increases	Decreases	Balance <u>6/30/17</u>
Governmental Activities:				
Capital assets, being depreciated:				
Vehicles	\$ 3,432	\$ 451	\$ (92)	\$ 3,791
Total capital assets, being depreciated	3,432	451	(92)	3,791
Less accumulated depreciation for:				
Vehicles	<u>(2,078)</u>	<u>(368)</u>	<u>76</u>	<u>(2,370)</u>
Total accumulated depreciation	<u>(2,078)</u>	<u>(368)</u>	<u>76</u>	<u>(2,370)</u>
Governmental activities capital assets, net	<u>\$ 1,354</u>	<u>\$ 83</u>	<u>\$ (16)</u>	<u>\$ 1,421</u>

Depreciation expense for the year ended June 30, 2017 was charged to functions of the Collaborative as follows (in thousands):

Governmental Activities:	
Administration	\$ 4
Transportation	<u>364</u>
Total depreciation expense	<u>\$ 368</u>

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent fiscal year 2017 expenditures paid after June 30, 2017.

8. Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/16</u>	Additions	Reductions	Total Balance <u>6/30/17</u>	Equals Less Current Portion <u>6/30/17</u>	Long-Term Portion <u>6/30/17</u>
<u>Governmental Activities</u>						
Compensated absences	36	4	(1)	39	(8)	31
Other post-employment benefits	<u>385</u>	<u>597</u>	<u>(116)</u>	<u>866</u>	<u>-</u>	<u>866</u>
Totals	<u>\$ 421</u>	<u>\$ 601</u>	<u>\$ (117)</u>	<u>\$ 905</u>	<u>\$ (8)</u>	<u>\$ 897</u>

9. 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. The Collaborative reports one item as deferred inflows of resources: which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. *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.

10. 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, 2017:

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, 2017:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Security deposit	\$ <u>74,250</u>	<u>-</u>	<u>74,250</u>
Total Nonspendable	74,250	-	74,250
Restricted			
Donation fund	\$ <u>-</u>	\$ <u>7,109</u>	\$ <u>7,109</u>
Total Restricted	-	7,109	7,109
Committed			
Professional development	<u>-</u>	<u>6,857</u>	<u>6,857</u>
Total Committed	-	6,857	6,857
Assigned			
Encumbrances	48,835	-	48,835
Appropriated fund balance	<u>1,015,846</u>	<u>-</u>	<u>1,015,846</u>
Total Assigned	1,064,681	-	1,064,681
Unassigned			
General fund	<u>3,613,043</u>	<u>-</u>	<u>3,613,043</u>
Total Unassigned	<u>3,613,043</u>	<u>-</u>	<u>3,613,043</u>
Total Fund Balance	<u>\$ 4,751,974</u>	<u>\$ 13,966</u>	<u>\$ 4,765,940</u>

11. 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, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. 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 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.
- Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (ORP) to transfer to the State Employees' Retirement System (SERS) and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS has increase by approximately \$400 million as of June 30, 2016.
- Experience studies were performed as follows:
 - Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
 - 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)
- Mortality rates were 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, 2016 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%	6.90%
Core fixed income	13.00%	1.60%
Private equity	10.00%	8.70%
Real estate	10.00%	4.60%
Value added fixed income	10.00%	4.80%
Hedge funds	9.00%	4.00%
Portfolio completion strategies	4.00%	3.60%
Timber/natural resources	4.00%	5.40%
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, 2016	\$ 17,969,000	\$ 13,788,844	\$ 10,246,000

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 5.6% 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 2016 (the most recent measurement period), the Commonwealth's total proportionate share of the net pension liability and pension expense associated with the Collaborative was \$14,486,536 and \$2,011,863 respectively, based on a proportionate share of 0.10506%. 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.

12. 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, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. 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 Employees table projected generationally with Scale BB and a base year of 2014 (gender district).
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year (gender district).
 - 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, 2016 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%	6.90%
Core fixed income	13.00%	1.60%
Private equity	10.00%	8.70%
Real estate	10.00%	4.60%
Value added fixed income	10.00%	4.80%
Hedge funds	9.00%	4.00%
Portfolio Completion Strategies	4.00%	3.60%
Timber/natural resources	4.00%	5.40%
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>
\$ 27,464,000	\$ 22,357,928	\$ 18,022,000

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 2016 (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 \$15,577,621 and \$1,589,019 respectively, based on a proportionate share of 0.069674%. As required by GASB 68, the Collaborative has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

13. Other Post-Employment Benefits – OPEB (GASB 45)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described in Notes 11 and 12, the Collaborative provides post-employment healthcare benefits for retired employees through the Collaborative's plan. Benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of

the Massachusetts General Laws. As of July 1, 2016, the most recent actuarial valuation date, approximately 40 retirees and 247 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Collaborative provides 50% of actual health premiums for participants who terminate employment with the Collaborative after at least five years of continuous service, and who receive an immediate pension from either the Massachusetts State Employees' Retirement System or the Massachusetts Teachers' Retirement System. Spouses of participants are covered as long as the employee-participant survives.

C. Funding Policy

Eligible retirees contribute 50% of the cost of the health plan, as determined by the Collaborative. The Collaborative contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Collaborative's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

The following table shows the components of the Collaborative's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the Collaborative's net OPEB obligation based on an actuarial valuation as of July 1, 2016.

Annual Required Contribution (ARC)	\$ 597,034
Interest on net benefit obligation	23,095
Adjustment to ARC	(26,381)
Amortization of actuarial (gains)/losses	<u>69,153</u>
Annual OPEB cost	662,901
Projected benefit payments	(152,312)
Employer contributions	<u>(30,000)</u>
Increase in net OPEB obligation	480,589
Net OPEB obligation - beginning of year	<u>384,932</u>
Net OPEB obligation - end of year	<u><u>\$ 865,521</u></u>

The Collaborative's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 662,901	27.5%	\$ 865,521
2016	\$ 535,238	51.4%	\$ 384,932
2015	\$ 511,979	103.2%	\$ 124,707

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 6,492,994
Actuarial value of plan assets	<u>(2,760,420)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,732,574</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>42.5%</u>
Covered payroll (active plan members)	<u>\$ 11,360,179</u>
UAAL as a percentage of covered payroll	<u>32.9%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Collaborative and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Collaborative and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the Frozen Entry Age actuarial cost method was used, with allocation based on service. The actuarial value of assets is equal to the market value of plan assets at the actuarial valuation date. The actuarial assumptions included a 6.0% investment rate of return and an initial annual healthcare cost trend rate of 6.25%, grading down to 2.5% in fiscal year 2020 and later in 0.75-point intervals. The unfunded actuarial accrued liability is amortized over 30 years in level dollar amounts, starting in fiscal year 2011.

14. Other Post-Employment Benefits – OPEB (GASB 74)

In September 2009, the Collaborative established an OPEB Trust fund to provide funding for future employee health care costs.

Investments

The OPEB Trust fund does not have a formal investment policy. At June 30, 2017, investments consisted of pooled funds with the Pension Reserves Investment Trust (PRIT). Concentration and rate of return information was not available.

Net OPEB Liability

The components of the net OPEB liability 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>
 Plan fiduciary net position as a percentage of the total OPEB liability	 42.36%

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

Inflation	2.75 percent
Salary increases	3 percent, average, including inflation
Investment rate of return	7.04 percent, net of OPEB plan investment including inflation

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

- Post-Retirement Mortality: RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
- Disabled Mortality: 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 June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2013 through January 1, 2015. As a result of the actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2016 actuarial valuation to more closely reflect actual experience.

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, 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	<u>14.00%</u>	6.25%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan member 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.

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 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current discount rate:

1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
\$ 5,475,538	\$ 4,276,366	\$ 3,319,694

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 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (5.00 percent increasing to 6.00 percent) than the current healthcare cost trend rates:

1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (5.00% increasing to 6.00%)
\$ 2,178,734	\$ 4,276,366	\$ 6,910,538

15. **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 2017, the Collaborative did not receive or expend any federal or state grant funds.

16. **Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Collaborative beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

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

**JUNE 30, 2017
(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, 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, 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, 2017
(Unaudited)

Massachusetts State Employees' Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <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, 2017	\$ 324,558	\$ 324,558	\$ -	\$ 5,795,679	5.60%
June 30, 2016	\$ 326,736	\$ 326,736	\$ -	\$ 5,851,807	5.60%
June 30, 2015	\$ 321,059	\$ 321,059	\$ -	\$ 5,750,125	5.60%

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 OPEB FUNDING PROGRESS (GASB 45)**

JUNE 30, 2017

(Unaudited)

(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 1,624	\$ 1,624	0.0%	N/A	N/A
07/01/10	\$ 511	\$ 3,300	\$ 2,789	15.5%	N/A	N/A
07/01/12	\$ 1,028	\$ 4,589	\$ 3,561	22.4%	N/A	N/A
07/01/14	\$ 2,316	\$ 5,057	\$ 2,741	45.8%	N/A	N/A
07/01/16	\$ 2,760	\$ 6,493	\$ 3,733	42.5%	\$ 11,360	32.9%

See Independent Auditors' Report.

**CONCORD AREA SPECIAL EDUCATION COLLABORATIVE
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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

(Unaudited)

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 418,048
Interest on unfunded liability - time value of \$	407,624
Benefit payments, including refunds of member contributions	<u>(152,312)</u>
Net change in total OPEB liability	673,360
Total OPEB liability - beginning	<u>6,746,148</u>
Total OPEB liability - ending (a)	<u>\$ 7,419,508</u>
Plan fiduciary net position*	
Contributions - employer	\$ 182,312
Net investment income	352,722
Benefit payments, including refunds of member contributions	<u>(152,312)</u>
Net change in plan fiduciary net position	382,722
Plan fiduciary net position - beginning	<u>2,760,420</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,143,142</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 4,276,366</u>

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

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

See Independent Auditors' Report.

**CONCORD AREA SPECIAL EDUCATION COLLABORATIVE
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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

(Unaudited)

Schedule of Net OPEB Liability

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

Schedule of Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 684,578
Contributions in relation to the actuarially determined contribution	<u>182,312</u>
Contribution deficiency (excess)	<u>\$ 502,266</u>
Covered payroll	\$ 11,360,179
Contributions as a percentage of covered payroll	1.60%

Schedule of Investment Returns

	<u>2017</u>
Annual money weighted rate of return, net of investment expense	unavailable

*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, one major fund, and the aggregate remaining fund information of the Concord Area Special Education Collaborative, as of and for the year ended June 30, 2017, 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 29, 2017.

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 29, 2017