

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Financial Statements
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Concord Area Special Education Collaborative

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in the notes to the financial statements, in the year ending June 30, 2022, the Collaborative adopted GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Collaborative’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 sufficient evidence 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 28, 2022 on our consideration of the Collaborative’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative’s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Melanson". To the right of the signature is a vertical yellow line.

Andover, Massachusetts
November 28, 2022

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, 2022.

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 are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required 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 and 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 showing 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. The Collaborative's 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 Collaborative's near-term financing decisions. Reconciliations are provided to facilitate the comparison between governmental funds and governmental activities.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Collaborative. 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 programs.

Notes to Financial Statements

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

Required Supplementary 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.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$2,834,190, a change of \$(1,461,625).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,349,411, a change of \$(1,301,349) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,728,111, a change of \$(39,316) in comparison to the prior year.

Government-Wide Financial Analysis

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

NET POSITION

	Governmental <u>Activities</u>	
	<u>2022</u>	<u>2021</u>
Assets		
Current and other assets	\$ 7,003,168	\$ 8,301,997
Capital assets	<u>3,242,225</u>	<u>1,304,531</u>
Total assets	10,245,393	9,606,528
Deferred outflows of resources	1,223,974	1,132,093
Liabilities		
Other liabilities	634,203	651,236
Long-term liabilities	<u>6,345,517</u>	<u>3,083,844</u>
Total liabilities	6,979,720	3,735,080
Deferred inflows of resources	1,655,457	2,707,726
Net Position		
Net investment in capital assets	1,031,270	1,304,532
Restricted	85,381	2,026,682
Unrestricted	<u>1,717,539</u>	<u>964,601</u>
Total net position	<u>\$ 2,834,190</u>	<u>\$ 4,295,815</u>

As noted earlier, net position may serve over time as a useful indicator of the Collaborative's financial position. At the close of the most recent fiscal year, total net position was \$2,834,190, a change of \$(1,461,625) in comparison to the prior year.

The largest portion of net position \$1,031,270 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, \$85,381, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,717,539 may be used to meet the Collaborative's ongoing obligations.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues:		
Charges for services	\$ 4,474,108	\$ 6,153,842
Operating grants and contributions	987,603	3,394,667
General revenues:		
School year program member tuition and fees	3,287,605	4,557,272
School year program non-member tuition and fees	2,961,393	3,059,064
Summer program tuition and fees	587,000	457,000
Investment income	8,541	5,042
Miscellaneous	261,602	128,108
Total revenues	12,567,852	17,754,995
Expenses		
Administration	670,515	1,164,220
Supervision	720,868	898,890
Instruction	7,172,871	8,388,197
Transportation	5,465,223	5,708,887
Total expenses	14,029,477	16,160,194
Change in net position	(1,461,625)	1,594,801
Net position - beginning of year	4,295,815	2,701,014
Net position - end of year	\$ 2,834,190	\$ 4,295,815

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(1,461,625). Key elements of this change are as follows:

General Fund operations	\$ (1,299,151)
Van purchases funded by current year revenue	196,599
Current year depreciation expense	(397,385)
Other	<u>38,312</u>
Total	<u>\$ (1,461,625)</u>

Financial Analysis of the Collaborative's Funds

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

Governmental Funds

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

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,728,111, while total fund balance was \$6,331,424. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. The total fund balance decreased primarily from the Collaborative returning prior cumulative surplus funds to member districts. This resulted in a reduction of program member tuition and fees. Refer to the table below.

<u>General Fund</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 4,728,111	\$ 4,767,427	\$ (39,316)	36.8%
Total fund balance	\$ 6,331,424	\$ 7,630,575	\$ (1,299,151)	49.2%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$762,663 and from the Commonwealth of the Massachusetts State Employees' Retirement System of \$564,181.

The total fund balance of the General Fund changed by \$(1,299,151) during the current fiscal year. Key factors in this change are as follows:

Fund balance as a funding source	\$ (844,439)
Revenues less than budget	(2,332,653)
Expenditures less than budget	731,924
Change in encumbrances	<u>1,223,707</u>
Total	\$ <u>(1,299,151)</u>

General Fund Budgetary Highlights

There was no difference between the total original budget and the final amended budget in fiscal year 2022. Additionally, there were several large variances between budgeted and actual expenditures in fiscal year 2022. Major reasons for these variances include:

- \$(307,406) Instruction Rent – This variance was primarily due to a one-time construction payment at a facility rented by the Collaborative.
- \$759,476 Transportation Operating – This variance was primarily due to a large number of students being transported by parents instead of using bus transportation.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental activities at year-end amounted to \$1,103,745 (net of accumulated depreciation and amortization). This investment in capital assets includes transportation vehicles and right to use leased assets. Major capital asset events during the current fiscal year included the following:

- \$196,599 - Purchase of four new vehicles
- \$2,138,480 – Commercial leases for four separate office suites
- \$397,385 - Current year depreciation and amortization expense

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.

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

Requests for Information

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

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Statement of Net Position
June 30, 2022

	<u>Governmental</u> <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 6,444,541
Accounts receivable	484,377
Other assets	<u>74,250</u>
Total Current Assets	7,003,168
Noncurrent:	
Right to use leased assets, net of accumulated amortization	2,138,480
Other capital assets, net of accumulated depreciation	<u>1,103,745</u>
Total Noncurrent Assets	<u>3,242,225</u>
Total Assets	10,245,393
Deferred Outflows of Resources	
Related to OPEB	<u>1,223,974</u>
Total Deferred Outflows of Resources	1,223,974
Liabilities	
Current:	
Warrants and accounts payable	115,028
Accrued liabilities	518,154
Other liabilities	1,021
Current portion of long-term liabilities:	
Lease liability	<u>205,126</u>
Total Current Liabilities	839,329
Noncurrent:	
Lease liability, net of current portion	2,005,829
Compensated absences	16,329
Net OPEB liability	<u>4,118,233</u>
Total Noncurrent Liabilities	<u>6,140,391</u>
Total Liabilities	6,979,720
Deferred Inflows of Resources	
Related to OPEB	<u>1,655,457</u>
Total Deferred Inflows of Resources	1,655,457
Net Position	
Net investment in capital assets	1,031,270
Restricted for:	
Grants and other	11,131
Nonspendable for security deposit	74,250
Unrestricted	<u>1,717,539</u>
Total Net Position	\$ <u>2,834,190</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, 2022

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Administration	\$ 670,515	\$ -	\$ 16,687	\$ (653,828)
Supervision	720,868	-	5,403	(715,465)
Instruction	7,172,871	-	797,438	(6,375,433)
Transportation	<u>5,465,223</u>	<u>4,474,108</u>	<u>168,075</u>	<u>(823,040)</u>
Total Governmental Activities	<u>\$ 14,029,477</u>	<u>\$ 4,474,108</u>	<u>\$ 987,603</u>	(8,567,766)
		General Revenues		
				3,287,605
				2,961,393
				587,000
				8,541
				<u>261,602</u>
				<u>7,106,141</u>
				(1,461,625)
		Net Position		
				<u>4,295,815</u>
				<u>\$ 2,834,190</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 6,424,554	\$ 19,987	\$ 6,444,541
Accounts receivable	484,377	-	484,377
Security deposit	<u>74,250</u>	<u>-</u>	<u>74,250</u>
Total Assets	<u>\$ 6,983,181</u>	<u>\$ 19,987</u>	<u>\$ 7,003,168</u>
Liabilities			
Warrants and accounts payable	\$ 113,028	\$ 2,000	\$ 115,028
Accrued liabilities	518,154	-	518,154
Other liabilities	<u>20,575</u>	<u>-</u>	<u>20,575</u>
Total Liabilities	651,757	2,000	653,757
Fund Balances			
Nonspendable	74,250	-	74,250
Restricted	61,281	10,297	71,578
Committed	-	7,690	7,690
Assigned	1,467,782	-	1,467,782
Unassigned	<u>4,728,111</u>	<u>-</u>	<u>4,728,111</u>
Total Fund Balances	<u>6,331,424</u>	<u>17,987</u>	<u>6,349,411</u>
Total Liabilities and fund balances	<u>\$ 6,983,181</u>	<u>\$ 19,987</u>	<u>\$ 7,003,168</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, 2022

Total governmental fund balances	\$ 6,349,411
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,103,745
Right to use leases assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,138,480
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	1,223,974
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Lease liability	(2,210,955)
Net OPEB liability	(4,118,233)
Compensated absences	(16,329)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(1,655,456)
Other reconciling items	<u>19,553</u>
Net position of governmental activities	<u>\$ 2,834,190</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, 2022

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
School year program member tuition and fees	\$ 3,287,605	\$ -	\$ 3,287,605
School year program non-member tuition and fees	2,961,393	-	2,961,393
Summer program tuition and fees	587,000	-	587,000
Transportation assessments	4,472,520	-	4,472,520
Intergovernmental	1,326,844	-	1,326,844
Investment income	8,539	2	8,541
Miscellaneous	<u>243,637</u>	<u>2,650</u>	<u>246,287</u>
Total Revenues	12,887,538	2,652	12,890,190
Expenditures			
Program:			
Administration	634,027	-	634,027
Supervision	682,256	-	682,256
Instruction	5,327,187	4,850	5,332,037
Instructional rent	495,308	-	495,308
Instructional insurance and benefits	1,482,318	-	1,482,318
Transportation operating	5,413,088	-	5,413,088
Transportation capital outlay	<u>152,505</u>	<u>-</u>	<u>152,505</u>
Total Expenditures	<u>14,186,689</u>	<u>4,850</u>	<u>14,191,539</u>
Change in fund balance	(1,299,151)	(2,198)	(1,301,349)
Fund Balances, at Beginning of Year	<u>7,630,575</u>	<u>20,185</u>	<u>7,650,760</u>
Fund Balances, at End of Year	\$ <u><u>6,331,424</u></u>	\$ <u><u>17,987</u></u>	\$ <u><u>6,349,411</u></u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net changes in fund balances - total governmental funds	\$ (1,301,349)
• 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:	
Capital outlay	196,599
Right to use lease amortization	(261,273)
Depreciation	(397,385)
• Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in leases	188,798
Change in net OPEB liability and related deferred outflows and inflows	93,432
Other differences	<u>19,553</u>
Change in net position of governmental activities	<u>\$ (1,461,625)</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, 2022

	<u>OPEB Trust Fund</u>
Assets	
Investments:	
External investment pool	\$ <u>4,756,664</u>
Total Investments	<u>4,756,664</u>
Total Assets	4,756,664
Net Position	
Restricted for OPEB purposes	<u>4,756,664</u>
Total Net Position	\$ <u><u>4,756,664</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, 2022

	<u>OPEB Trust Fund</u>	<u>Custodial Funds</u>
Additions		
Investment income (loss)	\$ (187,067)	\$ -
Contributions from employer	<u>344,084</u>	<u>-</u>
Total additions	157,017	-
Deductions		
Benefit payments to plan members, beneficiaries and other systems	327,283	-
Payments on behalf of students	<u>-</u>	<u>307</u>
Total deductions	<u>327,283</u>	<u>307</u>
Net increase	(170,266)	(307)
Net position restricted for OPEB and other purposes		
Beginning of year	<u>4,926,930</u>	<u>307</u>
End of year	\$ <u>4,756,664</u>	\$ <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 (the Collaborative) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, except as indicated in Note 2. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies of the Collaborative:

Reporting Entity

The Collaborative is a municipal corporation governed by an appointed Board of Directors. As required by GAAP, these financial statements present the Collaborative and applicable component units for which the Government is considered to be financially accountable. In fiscal year 2022, no entities met the component unit requirements of GASB 14 (as amended).

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, assessments, and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (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. All other revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Collaborative reports the following major governmental funds:

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

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

The Collaborative reports the following fiduciary funds:

- The *Other Post-Employment Benefit Trust Fund* is used to accumulate resources for other post-employment health insurance benefits to be provided to eligible retirees.
- The *Custodial Funds* account for fiduciary assets held by the Collaborative in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include fees collected on behalf of students.

Cash and Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, savings accounts, and money market accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments".

The Collaborative invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, where investments are valued at amortized cost, which approximates the net asset value of \$1 per share.

Investments are carried at fair value.

Interfund Receivables and Payables

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

Capital Assets

Capital assets, which include transportation vehicles, are reported in the applicable 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 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
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

Leases

At the commencement of a lease, the Collaborative initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The following assumptions are made:

The Collaborative uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price, if the Collaborative is reasonably certain that it will be exercised.

The Collaborative monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. 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, as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes General Fund reserves for security deposits.
- *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 capital reserves for both the General Fund and Nonmajor Governmental 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. 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.
- *Unassigned* represents amounts that are available to be spent in future periods. This fund balance classification includes program and transportation fund surplus balances.

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 and liabilities/deferred inflows. 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 use either through enabling legislation adopted by the Collaborative or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP 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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Collaborative's Board of Directors approves the annual school year program, summer program, and transportation budgets. School year and summer program budgets are based on anticipated enrollment and are funded by annually approved per pupil tuition rates for member and non-member entities. The transportation budget consists of estimated operating and capital costs, and is funded by assessments based on the weighted average number of students transported two years previously in the month of June (i.e., fiscal year 2022 transportation assessments are based on the weighted average number of pupils transported in June 2020).

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

3. Deposits and Investments

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Government. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase,

national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Collaborative’s deposits may not be returned. The Collaborative does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2022, \$3,945,681, of the Collaborative’s bank balance of \$11,610,841 was exposed to custodial credit risk as uninsured and uncollateralized, and \$250,000 was collateralized by securities held by the pledging financial institution. Additionally, \$2,653,472 was invested in MMDT, which is not subject to this disclosure.

Investments

The following is a summary of the Collaborative’s investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
External investment pool	\$ <u>4,756,664</u>
Total investments	\$ <u><u>4,756,664</u></u>

Custodial Credit Risk

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

As of June 30, 2022, the Collaborative did not have investments subject to custodial credit risk exposure as all assets were held in the Collaborative’s name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Collaborative does not have formal investment policies related to credit risk.

As of June 30, 2022, the credit quality ratings of the Collaborative's debt securities were as follows:

<u>Investment Type</u>	<u>Amount</u>	Rating as of <u>Year End</u> <u>Unrated</u>
External investment pool	\$ <u>4,756,664</u>	\$ <u>4,756,664</u>
Total	\$ <u>4,756,664</u>	\$ <u>4,756,664</u>

Concentration of Credit Risk

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

As of June 30, 2022, the Collaborative did not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Collaborative does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Foreign Currency Risk

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

At June 30, 2022, none of the Collaborative's investments were exposed to foreign currency risk.

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs

(Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

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

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

The Collaborative has the following fair value measurements as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>		
Investments measured at the net asset value (NAV):			
External investment pools	\$ 4,756,664		
Total	\$ 4,756,664		
<u>Investment Type</u>	<u>Amount</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pools	\$ 4,756,664	Monthly	30 Days

4. Accounts Receivable

Accounts receivable represents tuition due from member and non-member communities for services rendered in fiscal year 2022.

5. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows (in thousands):

	Balance <u>7/1/21</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/22</u>
Governmental Activities				
Capital assets, being depreciated/amortized:				
Vehicles	\$ 4,008	\$ 197	\$ (408)	\$ 3,797
Right to use assets (office suites)	<u>2,399</u>	<u>-</u>	<u>-</u>	<u>2,399</u>
Total capital assets, being depreciated/amortized	6,407	197	(408)	6,196
Less accumulated depreciation amortization for:				
Vehicles	(2,704)	(397)	408	(2,693)
Right to use assets (office suites)	<u>-</u>	<u>(261)</u>	<u>-</u>	<u>(261)</u>
Total accumulated depreciation/amortization	<u>(2,704)</u>	<u>(658)</u>	<u>408</u>	<u>(2,954)</u>
Governmental activities capital assets, net	<u>\$ 3,703</u>	<u>\$ (461)</u>	<u>\$ -</u>	<u>\$ 3,242</u>

Depreciation and amortization expense was charged to functions of the Collaborative as follows:

Governmental Activities	
Transportation	\$ <u>658</u>
Total depreciation expense	\$ <u>658</u>

6. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Collaborative that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to OPEB, in accordance with GASB Statements No. 75, are more fully discussed in the corresponding OPEB note.

7. Accrued Liabilities

Accrued liabilities are comprised of accrued payroll as of June 30, 2022.

8. Lease Obligations

The Collaborative is the lessee of office spaces under leases expiring in various years through 2031. The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year				
Ending				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2023	\$ 205,126	\$ 114,828	\$ 319,954	
2024	222,003	108,185	330,188	
2025	239,452	100,982	340,434	
2026	257,491	93,198	350,689	
2027	276,139	84,816	360,955	
2028-2031	<u>1,010,744</u>	<u>232,852</u>	<u>1,243,596</u>	
Totals	<u>\$ 2,210,955</u>	<u>\$ 734,861</u>	<u>\$ 2,945,816</u>	

9. Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities (in thousands):

	Beginning			Ending	Less	Equals
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
					<u>Portion</u>	<u>Portion</u>
Governmental Activities						
Leases	\$ 2,399	\$ -	\$ (188)	\$ 2,211	\$ (205)	\$ 2,006
Compensated absences	16	-	-	16	-	16
Net OPEB liability	<u>3,067</u>	<u>1,051</u>	<u>-</u>	<u>4,118</u>	<u>-</u>	<u>4,118</u>
Totals	<u>\$ 5,482</u>	<u>\$ 1,051</u>	<u>\$ (188)</u>	<u>\$ 6,345</u>	<u>\$ (205)</u>	<u>\$ 6,140</u>

10. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Collaborative that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to OPEB, in accordance with GASB Statement No. 75, will be recognized as expense in future years and are more fully described in the corresponding OPEB note.

11. Governmental Funds – Fund Balances

The Collaborative's fund balances at June 30, 2022 are comprised of the following:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Security deposit	\$ 74,250	\$ -	\$ 74,250
Total Nonspendable	74,250	-	74,250
Restricted			
Capital Reserves	61,281	10,297	71,578
Total Restricted	61,281	10,297	71,578
Committed			
Professional development	-	7,691	7,691
Total Committed	-	7,691	7,691
Assigned			
Encumbrances:			
School Program	248,505	-	248,505
Transportation	883,974	-	883,974
Summer Program	96,584	-	96,584
Capital Reserves	238,719	-	238,719
Total Assigned	1,467,782	-	1,467,782
Unassigned			
General fund	4,728,112	-	4,728,112
Total Unassigned	4,728,112	-	4,728,112
Total Fund Balance	\$ 6,331,425	\$ 17,988	\$ 6,349,413

12. Massachusetts State Employees' Retirement System (MSERS)

Plan Description

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MSERS covers substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of MSERS upon the creation of MassDOT. Other employees who transferred to MassDOT had been, and remain, members of MSERS. The assets and liabilities of the former MTA have been

transferred to MSERS. MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB), which consists of five members – two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB.

Participant Retirement Benefits

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

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

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

Participants' Contributions

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

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

Actuarial Assumptions

The total pension liability is measured as of June 30, 2021 and was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.15% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 9.00% depending on group and length of service.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016, set forward 1 year for females
 - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year for females
 - Disability – the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year.
- Experience studies were performed as follows:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.30%
Private equity	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	<u>4.00%</u>	4.33%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

1% Decrease to <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase to <u>8.00%</u>
\$ 15,974,650	\$ 10,436,529	\$ 5,884,626

Special Funding Situation – Educational Collaboratives

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

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

Collaborative Proportions

In fiscal year 2021 (the most recent measurement period), the Commonwealth’s total proportionate share of the net pension liability associated with the Collaborative was \$7,068,881 based on a proportionate share of 0.06773%. As required by GASB 68, the Collaborative has recognized its portion of the collective pension expense of approximately \$564,181 as both revenue and expenditure in the General Fund, and its portion of the collection pension expense of approximately \$622,591 as both revenue and expense in the governmental activities.

13. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts 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 of Massachusetts' reporting entity and does not issue a standalone audited financial report.

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

Benefits Provided

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

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

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

Contributions

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

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 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

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 – 2020.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

Target Allocations

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

expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.30%
Private equity	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	<u>4.00%</u>	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 of Massachusetts' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

<u>1% Decrease to 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase to 8.00%</u>
\$ 29,687,706	\$ 22,706,876	\$ 16,882,184

Special Funding Situation

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts is a nonemployer

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

Government Proportions

In fiscal year 2021 (the most recent measurement period), the Collaborative's proportionate share of the MTRS' collective net pension liability was approximately \$9,904,412 based on a proportionate share of 0.043619%. As required by GASB 68, the Collaborative has recognized its portion of the Commonwealth of Massachusetts' contribution of approximately \$762,663 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and its portion of the collective pension expense of approximately \$32,125 as both a revenue and expense on the Statement of Activities.

27. Other Post-Employment Benefits

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

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

All the following OPEB disclosures are based on a measurement date of June 30, 2022.

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	61
Active employees	<u>144</u>
Total	<u>205</u>

Investments

The OPEB trust fund assets consist of a State Investment Pool.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (3.81)% (or was not available). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% as of June 30, 2022 and for future periods
Salary increases	3.00% annually as of June 30, 2022 and for future periods
Investment rate of return	6.41%, net of OPEB plan investment expense, including inflation
Municipal bond rate	4.09% as of June 30, 2022 (source: S&P Municipal Bond 20-Year-High Grade Index)
Discount rate	6.37%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.50% per year
Retirees' share of benefit-related costs	50%
Participation rate	80% of eligible employees

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

The actuarial assumptions used in the valuation were based on the results of an actuarial experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 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%	4.42%
Domestic Equity - Small/Mid Cap	3.50%	4.81%
International Equity - Developed Market	16.00%	4.91%
International Equity - Emerging Market	6.00%	5.58%
Domestic Fixed Income	20.00%	1.00%
International Fixed Income	3.00%	1.04%
Alternatives	23.00%	5.98%
Real Estate	<u>14.00%</u>	6.25%
Total	<u>100.00%</u>	

Contributions

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

Discount Rate

The discount rate used to measure the net OPEB liability was 6.37% at June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2022, were as follows:

Total OPEB liability	\$ 8,874,897
Plan fiduciary net position	<u>4,756,664</u>
Net OPEB liability	<u>\$ 4,118,233</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 53.60%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 7,964,445	\$ 4,896,930	\$ 3,067,515
Changes for the year:			
Service cost	274,567	-	274,567
Interest	545,268	-	545,268
Contributions - employer	-	374,083	(374,083)
Net investment income (loss)	-	(187,066)	187,066
Changes in assumptions	417,900	-	417,900
Benefit payments	<u>(327,283)</u>	<u>(327,283)</u>	<u>-</u>
Net Changes	<u>910,452</u>	<u>(140,266)</u>	<u>1,050,718</u>
Balances, end of year	<u>\$ 8,874,897</u>	<u>\$ 4,756,664</u>	<u>\$ 4,118,233</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 6.75% in 2021 to 6.37% in 2022.

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

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

1% Decrease <u>(5.37%)</u>	Current Discount Rate <u>(6.37%)</u>	1% Increase <u>(7.37%)</u>
\$ 5,433,706	\$ 4,118,233	\$ 3,051,724

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

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

1% Decrease <u>(3.50%)</u>	Current Healthcare Cost Trend Rates <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
\$ 2,934,192	\$ 4,118,233	\$ 5,580,000

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

For the year ended June 30, 2022, the Collaborative recognized an OPEB expense of \$280,651. At June 30, 2022, the Collaborative reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 82,222	\$ 1,465,200
Change in assumptions	1,141,752	176,342
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>13,915</u>
Total	\$ <u>1,223,974</u>	\$ <u>1,655,457</u>

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

<u>Year Ended June 30:</u>	
2023	\$ (174,411)
2024	(180,950)
2025	(172,516)
2026	40,624
2027	<u>55,770</u>
Total	\$ <u>(431,483)</u>

14. Commitments and Contingencies

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Collaborative is involved. The Collaborative's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Collaborative expects such amounts, if any, to be immaterial.

Encumbrances

At year-end, the Collaborative's General Fund has \$1,229,063 in encumbrances that will be honored in the next fiscal year.

15. Change in Accounting Principle

During fiscal year 2022, the Collaborative adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as a the right to use another entity's asset over a definitive period of time. The effect of this standard for fiscal year 2022 includes the reporting of both a lease liability and right to use lease asset on the Statement of Net Position.

16. Subsequent Events

Management has evaluated subsequent events through November 28, 2022, which is the date the financial statements were available to be issued.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Required Supplemental Information
General Fund

Statement of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
School year program member tuition and fees	\$ 4,585,658	\$ 4,585,658	\$ 3,268,909	\$ (1,316,749)
School year program non-member tuition and fees	2,885,270	2,885,270	2,961,393	76,123
Summer program tuition and fees	617,500	617,500	587,000	(30,500)
Transportation assessments	5,693,745	5,693,745	4,472,520	(1,221,225)
Investment income	-	-	8,539	8,539
Miscellaneous	92,478	92,478	243,637	151,159
Total Revenues	13,874,651	13,874,651	11,541,998	(2,332,653)
Expenditures				
Program:				
Administration	484,811	484,811	532,732	(47,921)
Supervision	498,099	498,099	317,208	180,891
Instruction	5,787,699	5,787,699	5,681,433	106,266
Instructional rent	445,100	445,100	752,506	(307,406)
Instructional insurance and benefits	965,197	965,197	753,398	211,799
Transportation operating	5,788,184	5,788,184	5,028,708	759,476
Transportation capital outlay	750,000	750,000	921,181	(171,181)
Total Expenditures	14,719,090	14,719,090	13,987,166	731,924
Excess (deficiency) of revenues over expenditures	(844,439)	(844,439)	(2,445,168)	(1,600,729)
Other Financing Sources				
Use of fund balance (Transportation E&D)	844,439	844,439	844,439	-
Total Other Financing Sources	844,439	844,439	844,439	-
(Deficiency) of revenues over expenditures	\$ -	\$ -	\$ (1,600,729)	(1,600,729)
Budgetary basis adjustments:				
Use of fund balance (Transportation E&D)				(844,439)
Expenditures of prior year encumbrances				(5,356)
Current year encumbrances				1,229,063
Other				(77,690)
Change in fund balance				\$ (1,299,151)

**Notes to Required Supplementary Information
for General Fund Budget**

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 12,887,538	\$ 14,186,689	\$ -
Remove effects of combining Capital Reserve Fund and General Fund	-	(53,540)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(5,356)	-
Add end-of-year appropriation carryforwards from expenditures	-	1,229,063	-
Recognize use of fund balance (E&D) as funding source	-	-	844,439
Reverse MSERS and MTRS on-behalf contributions	(1,326,844)	(1,326,844)	-
Other	<u>(18,696)</u>	<u>(42,846)</u>	<u>-</u>
Budgetary Basis	<u>\$ 11,541,998</u>	<u>\$ 13,987,166</u>	<u>\$ 844,439</u>

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(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, 2022	June 30, 2021	0.06773%	\$ -	\$ 7,068,881	\$ 7,068,881	\$4,122,264	-	77.54%
June 30, 2021	June 30, 2020	0.07863%	\$ -	\$13,491,119	\$13,491,119	\$4,818,848	-	62.48%
June 30, 2020	June 30, 2019	0.08755%	\$ -	\$12,812,898	\$12,812,898	\$5,216,730	-	66.28%
June 30, 2019	June 30, 2018	0.09592%	\$ -	\$12,690,024	\$12,690,024	\$5,513,967	-	67.91%
June 30, 2018	June 30, 2017	0.10150%	\$ -	\$13,017,348	\$13,017,348	\$5,795,679	-	67.21%
June 30, 2017	June 30, 2016	0.10506%	\$ -	\$14,486,536	\$14,486,536	\$5,851,807	-	63.48%
June 30, 2016	June 30, 2015	0.10303%	\$ -	\$11,727,901	\$11,727,901	\$5,750,125	-	67.87%
June 30, 2015	June 30, 2014	0.10431%	\$ -	\$ 7,744,418	\$ 7,744,418	\$5,536,159	-	76.32%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Collaborative</u>	<u>Total Net Pension Liability Associated with the Collaborative</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2022	June 30, 2021	0.043619%	\$ -	\$ 9,904,412	\$ 9,904,412	\$3,397,762	-	62.03%
June 30, 2021	June 30, 2020	0.047346%	\$ -	\$13,514,959	\$13,514,959	\$3,587,327	-	50.67%
June 30, 2020	June 30, 2019	0.056981%	\$ -	\$14,367,222	\$14,367,222	\$4,146,598	-	53.95%
June 30, 2019	June 30, 2018	0.065278%	\$ -	\$15,478,182	\$15,478,182	\$4,584,365	-	54.84%
June 30, 2018	June 30, 2017	0.065285%	\$ -	\$14,940,804	\$14,940,804	\$4,433,479	-	54.25%
June 30, 2017	June 30, 2016	0.069674%	\$ -	\$15,577,621	\$15,577,621	\$4,582,903	-	52.73%
June 30, 2016	June 30, 2015	0.070960%	\$ -	\$14,539,513	\$14,539,513	\$4,498,094	-	55.38%
June 30, 2015	June 30, 2014	0.072876%	\$ -	\$11,584,563	\$11,584,563	\$4,444,985	-	61.64%

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

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

See Independent Auditor's Report.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

Massachusetts State Employees' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2022	June 30, 2021	\$ 241,562	\$ 241,562	\$ -	\$ 3,955,826	6.11%
June 30, 2021	June 30, 2020	\$ 251,458	\$ 251,458	\$ -	\$ 4,122,264	6.10%
June 30, 2020	June 30, 2019	\$ 293,950	\$ 293,950	\$ -	\$ 4,818,848	6.10%
June 30, 2019	June 30, 2018	\$ 318,221	\$ 318,221	\$ -	\$ 5,216,730	6.10%
June 30, 2018	June 30, 2017	\$ 336,352	\$ 336,352	\$ -	\$ 5,513,967	6.10%
June 30, 2017	June 30, 2016	\$ 324,558	\$ 324,558	\$ -	\$ 5,795,679	5.60%
June 30, 2016	June 30, 2015	\$ 326,736	\$ 326,736	\$ -	\$ 5,851,807	5.60%
June 30, 2015	June 30, 2014	\$ 321,059	\$ 321,059	\$ -	\$ 5,750,125	5.60%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution Provided by Commonwealth	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2022	June 30, 2021	\$ 762,663	\$ 762,663	\$ -	\$ 3,468,854	21.99%
June 30, 2021	June 30, 2020	\$ 735,495	\$ 735,495	\$ -	\$ 3,397,762	21.60%
June 30, 2020	June 30, 2019	\$ 822,642	\$ 822,642	\$ -	\$ 3,587,327	22.90%
June 30, 2019	June 30, 2018	\$ 858,260	\$ 858,260	\$ -	\$ 4,146,598	20.70%
June 30, 2018	June 30, 2017	\$ 806,610	\$ 806,610	\$ -	\$ 4,584,365	17.60%
June 30, 2017	June 30, 2016	\$ 783,540	\$ 783,540	\$ -	\$ 4,433,479	17.70%
June 30, 2016	June 30, 2015	\$ 725,165	\$ 725,165	\$ -	\$ 4,582,903	15.80%
June 30, 2015	June 30, 2014	\$ 683,121	\$ 683,121	\$ -	\$ 4,498,094	15.20%

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

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

See Independent Auditor's Report.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

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

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 274,567	\$ 347,433	\$ 331,581	\$ 308,602	\$ 430,236	\$ 418,048
Interest	545,268	599,743	560,665	486,400	484,858	407,624
Differences between expected and actual experience	-	(2,236,911)	(7,367)	251,742	(533,893)	-
Changes of assumptions	417,900	1,218,704	-	(539,930)	-	-
Benefit payments, including refunds of member contributions	<u>(327,283)</u>	<u>(363,544)</u>	<u>(322,117)</u>	<u>(284,391)</u>	<u>(186,874)</u>	<u>(152,312)</u>
Net change in total OPEB liability	910,452	(434,575)	562,762	222,423	194,327	673,360
Total OPEB liability - beginning	<u>7,964,445</u>	<u>8,399,020</u>	<u>7,836,258</u>	<u>7,613,835</u>	<u>7,419,508</u>	<u>6,746,148</u>
Total OPEB liability - ending (a)	8,874,897	7,964,445	8,399,020	7,836,258	7,613,835	7,419,508
Plan Fiduciary Net Position						
Contributions - employer	374,083	376,744	342,117	304,391	206,874	182,312
Net investment income (loss)	(187,066)	1,112,649	72,367	196,142	299,430	352,722
Benefit payments, including refunds of member contributions	<u>(327,283)</u>	<u>(363,544)</u>	<u>(322,117)</u>	<u>(284,391)</u>	<u>(186,874)</u>	<u>(152,312)</u>
Net change in plan fiduciary net position	(140,266)	1,125,849	92,367	216,142	319,430	382,722
Plan fiduciary net position - beginning	<u>4,896,930</u>	<u>3,771,081</u>	<u>3,678,714</u>	<u>3,462,572</u>	<u>3,143,142</u>	<u>2,760,420</u>
Plan fiduciary net position - ending (b)	<u>4,756,664</u>	<u>4,896,930</u>	<u>3,771,081</u>	<u>3,678,714</u>	<u>3,462,572</u>	<u>3,143,142</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 4,118,233</u>	<u>\$ 3,067,515</u>	<u>\$ 4,627,939</u>	<u>\$ 4,157,544</u>	<u>\$ 4,151,263</u>	<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 Government's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

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

	2022	2021	2020	2019	2018	2017
Schedule of Net OPEB Liability						
Total OPEB liability	\$ 8,874,897	\$ 7,964,445	\$ 8,399,020	\$ 7,836,258	\$ 7,613,835	\$ 7,419,508
Plan fiduciary net position	<u>4,756,664</u>	<u>4,896,930</u>	<u>3,771,081</u>	<u>3,678,714</u>	<u>3,462,572</u>	<u>3,143,142</u>
Net OPEB liability (asset)	\$ <u>4,118,233</u>	\$ <u>3,067,515</u>	\$ <u>4,627,939</u>	\$ <u>4,157,544</u>	\$ <u>4,151,263</u>	\$ <u>4,276,366</u>
Plan fiduciary net position as a percentage of the total OPEB liability	53.60%	61.48%	44.90%	46.94%	45.48%	42.36%
Covered employee payroll	\$ 7,184,878	\$ 7,184,878	\$ 10,414,874	\$ 10,111,528	\$ 11,612,861	\$ 11,360,179
Net OPEB liability as a percentage of covered employee payroll	57.32%	42.69%	44.44%	41.12%	35.75%	37.64%
Schedule of Contributions						
Actuarially determined contribution	\$ 485,233	\$ 511,210	\$ 680,131	\$ 621,725	\$ 730,499	\$ 684,578
Contributions in relation to the actuarially determined contribution	<u>374,083</u>	<u>376,744</u>	<u>342,117</u>	<u>304,391</u>	<u>206,874</u>	<u>182,312</u>
Contribution deficiency (excess)	\$ <u>111,150</u>	\$ <u>134,466</u>	\$ <u>338,014</u>	\$ <u>317,334</u>	\$ <u>523,625</u>	\$ <u>502,266</u>
Covered employee payroll	\$ 7,184,878	\$ 7,184,878	\$ 10,414,874	\$ 10,111,528	\$ 11,612,861	\$ 11,360,179
Contributions as a percentage of covered employee payroll	5.21%	5.24%	3.28%	3.01%	1.78%	1.60%
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	-3.81%	29.41%	1.97%	5.64%	8.89%	12.78%

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

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

See Independent Auditor's Report.

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

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

Accordingly, the Collaborative discloses the following:

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

In fiscal year 2022, the names, duties, and total compensation of the Collaborative's five most highly compensated employees are as follows:

<u>Name</u>	<u>Duties</u>	<u>Total Compensation</u>
1) Sanchita Banerjee	Administration - Executive Director	\$ 169,125
2) Melissa Devine	Administration - Assistant Executive Director	\$ 132,000
3) Gwendolyn Bertrand	Instruction - Teacher	\$ 129,105
4) Therese Adams	Instruction - Occupational Therapist	\$ 112,139
5) Rose Hawkes	Instruction - Speech/Language Pathologist	\$ 105,319

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

In fiscal year 2022, 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 2022, the Collaborative did not expend any monies on services for individuals aged 22 years and older.

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

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

See Independent Auditor's Report.

Amounts Expended on Administration and Overhead

In fiscal year 2022, 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	\$ 634,027	\$ -	\$ -	\$ 634,027
Supervision	-	242,198	440,058	682,256
Instruction	-	-	5,332,037	5,332,037
Instructional rent	-	495,308	-	495,308
Instructional insurance and benefits	-	-	1,482,318	1,482,318
Transportation operating	272,926	268,329	4,871,833	5,413,088
Transportation capital outlay	-	-	152,505	152,505
Total Expenditures	<u>\$ 906,953</u>	<u>\$ 1,005,835</u>	<u>\$ 12,278,751</u>	<u>\$ 14,191,539</u>

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

In fiscal year 2022, 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 2022, 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 2022, the Collaborative recorded administrative, program supervision, and instructional rent credits of \$7,500 per room for a total of \$165,000.

The Collaborative leases various spaces for additional administrative, classroom, and transportation facilities. In fiscal year 2022, the Collaborative paid a total of \$397,808 to Peter Central LLC for rental fees.

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

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

See Independent Auditor's Report.

The Collaborative also leases transportation facilities from a private vendor. In fiscal year 2022, the Collaborative paid a total of \$69,240 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 51.

Annual Determination and Disclosure of Cumulative Surplus

In fiscal year 2022, the Collaborative cumulative surplus was calculated as follows:

		Financial Statements
Voted Cumulative Surplus Calculation as of 6/30/21	\$ 4,767,427	Page 8
Amount of 6/30/21 cumulative surplus used to support the FY22 budget	(844,439)	Page 45
Amount of 6/30/20 cumulative surplus returned to member districts	(1,939,103)	
Amount of 6/30/21 cumulative surplus returned to member districts	(1,221,226)	
Amount deposited into capital reserve account	(300,000)	
Unexpended FY22 General Funds	<u>4,265,452</u>	Page 8
Cumulative Surplus as of 6/30/22	<u>\$ 4,728,111</u>	
 		 Page 15
FY22 Total General Fund Expenditures	\$ 14,186,689	
FY22 MTRS on-behalf payment	(762,663)	
FY22 MSERS on-behalf payment	<u>(564,181)</u>	
Total expenditures subject to cumulative surplus percentage	<u>\$ 12,859,845</u>	
Cumulative Surplus Percentage	37%	

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

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

See Independent Auditor's Report.



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Concord Area Special Education Collaborative

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Concord Area Special Education Collaborative, as of and for the year ended June 30, 2022, 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 28, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control.

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



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

Compliance and Other Matters

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

Purpose of This Report

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

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

Andover, Massachusetts
November 28, 2022



To the Board of Directors
Concord Area Special Education Collaborative

In planning and performing our audit of the basic financial statements of the Concord Area Special Education Collaborative (the Collaborative) as of and for the year ended June 30, 2022, in accordance with 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 of the United States, we considered the Collaborative's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control over financial reporting.

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

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

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

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

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

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

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Melanson

Andover, Massachusetts
November 28, 2022

PRIOR YEAR RECOMMENDATIONS:

1. Reduce Cumulative Surplus and Establish Formal Policy for Returning Excess Funds

Prior Year Issue:

In the prior year, we recommended the Collaborative comply with Massachusetts General Law and accompanying regulations by returning (or crediting) excess funds to member districts. In addition, we recommended the Collaborative establish a formal policy for the process of returning (or crediting) excess funds to member districts, including the timeframe that the excess funds must be returned.

Current Year Status:

This issue was addressed in the current year and is considered resolved.

2. Ensure Check Registers Agree to Approved Warrants

Prior Year Issue:

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

Current Year Status:

This issue was addressed in the current year and is considered resolved.

3. Other Prior Year Issues

In the prior year, we noted the following areas where efficiencies and/or internal controls could be improved:

- We noted the Collaborative had various outstanding receivables and credits that have not been resolved. We recommend the Collaborative follow up on all outstanding receivables and credits owed in a timely manner.
- We noted the Collaborative did not have a formal policy for technology controls, specifically: (1) establishing a written backup and data retention policy/schedule; and (2) establishing formal protocols for setting up, modifying, and terminating user access rights, including a requirement for written authorization for all changes. We recommend the Collaborative establish a formal policy for technology controls.
- The Collaborative did not record all current year activity to the OPEB Trust Fund in the general ledger during fiscal year 2021. We recommend the Collaborative ensure all activity is recorded to the OPEB Trust Fund in the general ledger. Additionally, in fiscal year 2021, the Board of Directors approved a contribution to the OPEB Trust Fund. This

was not transferred in the bank until fiscal year 2022. We recommend all bank transfers should be performed in a timely manner.

Current Year Status:

The issues noted above were addressed in the current year and are considered resolved.

4. Prepare for GASB Statement 87

GASB Statement 87 became effective to the Collaborative in fiscal year 2022. Statement 87 addresses leases and significantly changes the accounting standards for leases and will now require various operating leases to be reported on the Collaborative's balance sheets.

In the prior year, we recommended that the Finance Department prepare for this accounting change. The Finance Department should also consider updating its lease accounting policy to ensure all material leases are properly identified.

Current Year Status:

The Collaborative implemented GASB Statement 87 in fiscal year 2022.