

**CONCORD AREA
SPECIAL EDUCATION COLLABORATIVE**

Annual Financial Statements

For the Year Ended June 30, 2015

Concord Area Special Education Collaborative

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Concord Area Special Education Collaborative

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Concord Area Special Education Collaborative (the Collaborative), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Concord Area Special Education Collaborative, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Melanson Heath

November 16, 2015

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, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Collaborative's near-term financing requirements.

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$4,131,470 (i.e., net position), a change of \$(1,057,038) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$3,021,593, a change of \$(1,802,322) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,198,519, a change of \$450,744 in comparison to the prior year.
- Total long-term debt (i.e., capital leases) at the close of the current fiscal year was \$5,230, a change of \$(4,913) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

	Governmental <u>Activities</u>	
	<u>2015</u>	<u>2014</u>
Current assets	\$ 4,140,999	\$ 6,178,424
Capital assets	<u>1,004,955</u>	<u>559,243</u>
Total assets	5,145,954	6,737,667
Current liabilities	860,938	1,052,713
Noncurrent liabilities	153,546	171,356
Deferred inflows of resources	<u>-</u>	<u>325,090</u>
Total liabilities and deferred inflows of resources	1,014,484	1,549,159
Net position:		
Net investment in capital assets	999,725	549,100
Restricted	6,864	8,120
Unrestricted	<u>3,124,881</u>	<u>4,631,288</u>
Total net position	<u>\$ 4,131,470</u>	<u>\$ 5,188,508</u>

CHANGES IN NET POSITION

	Governmental	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,690,823	\$ 5,561,979
Operating grants and contributions	1,357,386	748,148
Capital grants and contributions	325,090	-
General revenues:		
School year program member tuition and fees	4,395,342	6,304,157
School year program non-member tuition and fees	3,282,188	2,132,830
Summer program tuition and fees	591,689	522,050
Investment income	7,143	12,301
Miscellaneous	<u>65,560</u>	<u>74,210</u>
Total revenues	15,715,221	15,355,675

(continued)

(continued)

	Governmental	
	<u>2015</u>	<u>2014</u>
Expenses:		
Administration	582,127	535,539
Supervision	961,323	936,486
Instruction	7,337,557	7,472,931
Instructional insurance and benefits	1,956,006	1,684,919
Transportation	<u>5,635,246</u>	<u>5,022,997</u>
Total expenses	<u>16,472,259</u>	<u>15,652,872</u>
Change in net position before transfers	(757,038)	(297,197)
Transfers (net)	<u>(300,000)</u>	<u>(460,000)</u>
Change in net position	(1,057,038)	(757,197)
Net position - beginning of year	<u>5,188,508</u>	<u>5,945,705</u>
Net position - end of year	<u>\$ 4,131,470</u>	<u>\$ 5,188,508</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, total net position was \$4,131,470, a change of \$(1,057,038) from the prior year.

The largest portion of net position, \$999,725 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, \$6,864, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,124,881 may be used to meet the Collaborative's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(1,057,038). Key elements of this change are as follows:

General fund operations, as discussed in Section D	\$ (1,799,075)
Special revenue fund expenditures over revenues	(3,247)
Transportation revenues used for capital assets	680,525
Current year depreciation expense	(234,813)
Convert Lincoln-Sudbury receivable to accrual basis	270,908
Other	<u>28,664</u>
Total	<u>\$ (1,057,038)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,021,593, a change of \$(1,802,322) in comparison to the prior year. Key elements of this change are as follows:

General fund operations, as described below	\$ (1,799,075)
Special revenue fund expenditures over revenues	<u>(3,247)</u>
Total	<u>\$ (1,802,322)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,198,519, while total fund balance was \$3,007,543. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,198,519	\$ 1,747,775	\$ 450,744	14.1%
Total fund balance	\$ 3,007,543	\$ 4,806,618	\$ (1,799,075)	19.3%

The total fund balance of the general fund changed by \$(1,799,075) during the current fiscal year. Key factors in this change are as follows:

Use of free cash (E&D) as a funding source	\$ (2,481,568)
Revenues less than budget	(774,969)
Expenditures less than budget	1,677,799
Prior year encumbrances in excess of current year	(274,519)
Reimbursement for capital costs	<u>54,182</u>
Total	\$ <u><u>(1,799,075)</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2015, the Collaborative's original school year program budget was reduced by (\$40,000) in response to anticipated tuition revenue shortfalls. This change was approved by a formal vote of the Collaborative's Board of Directors.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at June 30, 2015 amounted to \$1,004,955 (net of accumulated depreciation), a change of \$445,712 in comparison to the prior year. This investment in capital assets represents transportation vehicles.

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

Purchase of twenty-five new passenger vans	\$680,525
Current year depreciation expense	\$(234,813)

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

Long-term debt. At the end of the current fiscal year, the Collaborative had no outstanding long-term bonded debt and \$5,230 outstanding in long-term capital leases.

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

**G. REQUIRED DISCLOSURES PER MASSACHUSETTS GENERAL LAWS
CHAPTER 40, SECTION 4E**

Chapter 40, Section 4E of the Massachusetts General Laws requires an education collaborative to present certain disclosures as part of the audited financial statements, including: (1) transactions between the educational collaborative and any related for-profit or non-profit organization; (2) transactions or contracts related to the purchase, sale, rental, or lease of real property; (3) the names, duties and total compensation of the five most highly compensated employees; (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; and (6) the amounts expended on services for individuals with disabilities, age 22 and older.

Accordingly, the Collaborative discloses the following:

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

In fiscal year 2015, there were no transactions between the Collaborative and any related for-profit or non-profit organizations.

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

In fiscal year 2015, 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 2015, the Collaborative recorded administrative, program supervision, and instructional rent credits of \$7,500 per room for a total of \$247,500, and transportation rent credits of \$2,500 per facility for a total of \$2,500.

The Collaborative also leases transportation facilities from two private vendors. In fiscal year 2015, the Collaborative paid a total of \$58,040 to Wedgewood Realty Trust and \$9,311 to Maynard Motors for rental fees and contracted maintenance charges for these transportation facilities.

Administration, program supervision, instruction and transportation tuition and assessment credits, as well as direct transportation facility rental expenditures are classified as overhead costs in the table of Administration and Overhead Expenditures on page 10.

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

In fiscal year 2015, 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) Michael Baldassarre	Administration - Executive Director	\$ 154,616
2) Sandra Daigneault	Administration/Supervision - Assistant Director/Program Administrator	\$ 128,876
3) Deanne Cefalo	Supervision - Program Administrator	\$ 128,876
4) Maureen Keegan	Supervision - Program Administrator	\$ 128,876
5) Beverly Beno	Administration - Director of Finance & Operations	\$ 117,431

Amounts Expended on Administration and Overhead

In fiscal year 2015, 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	\$ 568,571	\$ 7,500	\$ -	\$ 576,071
Supervision	-	22,500	920,653	943,153
Instruction	-	-	7,120,057	7,120,057
Instructional rent	-	217,500	-	217,500
Instructional insurance and benefits	-	-	939,729	939,729
Transportation operating	182,844	69,851	4,861,361	5,114,056
Transportation capital outlay	-	-	680,525	680,525
Total Expenditures	<u>\$ 751,415</u>	<u>\$ 317,351</u>	<u>\$ 14,522,325</u>	<u>\$ 15,591,091</u>

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

In fiscal year 2015, the Collaborative did not hold any accounts that may be spent at the discretion of another person or entity.

Amounts Expended on Services for Individuals Aged 22 Years and Older

In fiscal year 2015, the Collaborative did not expend any monies on services for individuals aged 22 years and older.

REQUESTS FOR INFORMATION

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

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 3,678,856
Accounts receivable	462,143
Noncurrent:	
Capital assets, net of depreciation	<u>1,004,955</u>
TOTAL ASSETS	5,145,954
LIABILITIES	
Current:	
Accounts payable	95,370
Accrued liabilities	704,713
Other liabilities	48,415
Current portion of long-term liabilities:	
Capital leases	5,230
Compensated absences	7,210
Noncurrent:	
Compensated absences, net of current portion	28,839
Other post-employment benefits	<u>124,707</u>
TOTAL LIABILITIES	1,014,484
NET POSITION	
Net investment in capital assets	999,725
Restricted for:	
Grants and other	6,864
Unrestricted	<u>3,124,881</u>
TOTAL NET POSITION	\$ <u><u>4,131,470</u></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, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expenses) Revenues</u> <u>and Changes in Net Position</u> <u>Governmental</u> <u>Activities</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>		
Governmental Activities:					
Administration	\$ 582,127	\$ -	\$ 15,845	\$ -	\$ (566,282)
Supervision	961,323	-	17,570	-	(943,753)
Instruction	7,337,557	-	1,842	-	(7,335,715)
Instructional insurance and benefits	1,956,006	-	1,033,547	-	(922,459)
Transportation	<u>5,635,246</u>	<u>5,690,823</u>	<u>288,582</u>	<u>325,090</u>	<u>669,249</u>
Total Governmental Activities	<u>\$ 16,472,259</u>	<u>\$ 5,690,823</u>	<u>\$ 1,357,386</u>	<u>\$ 325,090</u>	<u>(9,098,960)</u>
			General Revenues:		
			School year program member tuition and fees		4,395,342
			School year program non-member tuition and fees		3,282,188
			Summer program tuition and fees		591,689
			Investment income		7,143
			Miscellaneous		65,560
			Transfers, net		<u>(300,000)</u>
			Total general revenues and transfers		<u>8,041,922</u>
			Change in Net Position		(1,057,038)
			Net Position:		
			Beginning of year		<u>5,188,508</u>
			End of year		<u>\$ 4,131,470</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 3,664,476	\$ 14,380	\$ 3,678,856
Accounts receivable	<u>462,143</u>	<u>-</u>	<u>462,143</u>
TOTAL ASSETS	<u>\$ 4,126,619</u>	<u>\$ 14,380</u>	<u>\$ 4,140,999</u>
LIABILITIES			
Accounts payable	\$ 95,040	\$ 330	\$ 95,370
Accrued liabilities	704,713	-	704,713
Other liabilities	<u>48,415</u>	<u>-</u>	<u>48,415</u>
TOTAL LIABILITIES	848,168	330	848,498
DEFERRED INFLOWS OF RESOURCES	270,908	-	270,908
FUND BALANCES			
Restricted	-	6,864	6,864
Committed	-	7,186	7,186
Assigned	809,024	-	809,024
Unassigned	<u>2,198,519</u>	<u>-</u>	<u>2,198,519</u>
TOTAL FUND BALANCES	<u>3,007,543</u>	<u>14,050</u>	<u>3,021,593</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,126,619</u>	<u>\$ 14,380</u>	<u>\$ 4,140,999</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, 2015

Total governmental fund balances	\$ 3,021,593
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,004,955
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	270,908
<ul style="list-style-type: none">• Long-term liabilities, including compensated absences and net OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(165,986)</u>
Net position of governmental activities	<u><u>\$ 4,131,470</u></u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
School year program member tuition and fees	\$ 4,395,342	\$ -	\$ 4,395,342
School year program non-member tuition and fees	3,282,189	-	3,282,189
Summer program tuition and fees	591,689	-	591,689
Transportation assessments	5,567,162	-	5,567,162
Investment income	7,143	1	7,144
Miscellaneous	<u>243,402</u>	<u>1,841</u>	<u>245,243</u>
Total Revenues	14,086,927	1,842	14,088,769
Expenditures:			
Current:			
Program:			
Administration	576,071	-	576,071
Supervision	943,153	-	943,153
Instruction	7,114,968	5,089	7,120,057
Instructional rent	217,500	-	217,500
Instructional insurance and benefits	939,729	-	939,729
Transportation operating	5,114,056	-	5,114,056
Transportation capital outlay	<u>680,525</u>	<u>-</u>	<u>680,525</u>
Total Expenditures	<u>15,586,002</u>	<u>5,089</u>	<u>15,591,091</u>
Excess (deficiency) of revenues over expenditures	(1,499,075)	(3,247)	(1,502,322)
Other Financing Sources (Uses):			
Transfers out	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Change in fund balance	(1,799,075)	(3,247)	(1,802,322)
Fund Equity, at Beginning of Year, as restated	<u>4,806,618</u>	<u>17,297</u>	<u>4,823,915</u>
Fund Equity, at End of Year	<u>\$ 3,007,543</u>	<u>\$ 14,050</u>	<u>\$ 3,021,593</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, 2015

Net changes in fund balances - total governmental funds	\$ (1,802,322)										
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="text-align: right;">680,525</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(234,813)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in deferred inflows of resources. <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">270,908</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Repayments of capital leases</td> <td style="text-align: right;">4,913</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">23,751</td> </tr> </table> 		Capital outlay purchases	680,525	Depreciation	(234,813)		270,908	Repayments of capital leases	4,913		23,751
Capital outlay purchases	680,525										
Depreciation	(234,813)										
	270,908										
Repayments of capital leases	4,913										
	23,751										
Change in net position of governmental activities	\$ <u>(1,057,038)</u>										

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and other sources:				
School year program member tuition and fees	\$ 6,204,832	\$ 6,164,832	\$ 4,395,342	\$ (1,769,490)
School year program non-member tuition and fees	2,064,378	2,064,378	3,282,189	1,217,811
Summer program tuition and fees	615,211	615,211	591,689	(23,522)
Transportation assessments	5,567,162	5,567,162	5,567,162	-
Investment income	-	-	7,143	7,143
Miscellaneous	-	-	189,220	189,220
Other financing sources:				
Use of fund balance (Program E&D)	1,917,366	1,917,366	1,521,235	(396,131)
Use of fund balance (Transportation E&D)	<u>960,333</u>	<u>960,333</u>	<u>960,333</u>	<u>-</u>
Total Revenues and Other Sources	17,329,282	17,289,282	16,514,313	(774,969)
Expenditures and other uses:				
Program:				
Administration	534,867	539,657	566,099	(26,442)
Supervision	1,085,646	1,037,566	931,886	105,680
Instruction	7,711,642	7,714,932	7,131,319	583,613
Instructional rent	225,000	225,000	217,500	7,500
Instructional insurance and benefits	1,244,632	1,244,632	938,649	305,983
Transportation operating	5,819,495	5,819,495	5,127,060	692,435
Transportation capital outlay	408,000	408,000	398,970	9,030
Other financing uses:				
Transfers out	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>17,329,282</u>	<u>17,289,282</u>	<u>15,611,483</u>	<u>1,677,799</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>902,830</u>	\$ <u>902,830</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, 2015

	<u>Retirees' Health Insurance Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 1,646
Investments	<u>2,691,067</u>	<u>-</u>
Total Assets	2,691,067	1,646
<u>LIABILITIES AND NET POSITION</u>		
Student activity funds	<u>-</u>	<u>1,646</u>
Total Liabilities	<u>-</u>	<u>1,646</u>
<u>NET POSITION</u>		
Restricted for:		
Other post-employment benefits	<u>2,691,067</u>	<u>-</u>
Total net position held in trust	<u>\$ 2,691,067</u>	<u>\$ -</u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Retirees' Health Insurance Trust Fund</u>
Additions:	
Investment income (loss)	\$ <u>75,149</u>
Total additions	75,149
Other financing sources:	
Transfers in	<u>300,000</u>
Total other financing sources	<u>300,000</u>
Net increase	375,149
Net position:	
Beginning of year	<u>2,315,918</u>
End of year	<u><u>\$ 2,691,067</u></u>

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

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Collaborative is a municipal corporation governed by an appointed Board of Directors. As required by generally accepted accounting principles, these financial statements present the Collaborative and applicable component units for which the Collaborative is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member and non-member tuition and assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all member and non-member program tuitions/fees and transportation assessments.

Fund Financial Statements

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

The Collaborative reports the following major governmental funds:

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

The *Retirees' Health Insurance Trust* fund accounts for resources the Collaborative is accumulating for future other post-employment health insurance benefits to be provided to eligible retirees.

The *Agency* fund accounts for fiduciary assets held by the Collaborative in a custodial capacity as an agent on behalf of others.

D. Cash and Short-Term Investments

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

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

E. Investments

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

Investments for the Retirees' Health Insurance Trust Fund are held in the State Retiree Benefits Trust Fund, a state investment pool. Investments are carried at market value.

F. Capital Assets

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

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

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

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

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

G. Compensated Absences

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

H. Long-Term Obligations

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

I. Fund Equity

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

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

The Collaborative's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose for which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the Collaborative's highest decision making authority (i.e., the Board of Directors).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (E&D) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

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

J. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

of June (i.e., fiscal year 2015 transportation assessments are based on the weighted average number of pupils transported in June 2013).

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>Budget/GAAP Reconciliation</u>		
<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 14,086,927	\$ 15,586,002
Other financing sources/uses (GAAP Basis)	-	300,000
Subtotal (GAAP basis)	14,086,927	15,886,002
Reverse beginning of year appropriation carryforwards from expenditures	-	(604,742)
Add end-of-year appropriation carryforwards from expenditures	-	330,223
Recognize use of fund balance (E&D) as funding source	2,481,568	-
To reverse the effect of non-budgeted audit adjustments	(54,182)	-
Budgetary basis	<u>\$ 16,514,313</u>	<u>\$ 15,611,483</u>

3. Cash and Short-Term Investments

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

As of June 30, 2015, \$516,960 of the Collaborative's bank balance of \$4,077,146 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the Collaborative's name.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
State investment pool*	\$ <u>2,691</u>	N/A	\$ <u>2,691</u>
Total investments	\$ <u>2,691</u>		\$ <u>2,691</u>

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

B. Custodial Credit Risk

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

As of June 30, 2015, none of the Collaborative's investments were subject to custodial credit risk.

C. Concentration of Credit Risk

The Collaborative places no limit on the amount they may invest in any one issuer. As of June 30, 2015, the Collaborative's investments are held in the Pension Reserves Investment Trust Fund, a state investment pool.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Collaborative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2015, the Collaborative's investments are held in the Pension Reserves Investment Trust Fund, a state investment pool.

E. Foreign Currency Risk

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

5. Accounts Receivable

This balance represents \$191,235 due from member and non-member communities for services rendered in fiscal year 2015 and \$270,908 due from the Lincoln-Sudbury Regional School District for transportation capital acquisitions.

6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	Balance <u>7/1/14</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/15</u>
Governmental Activities:				
Capital assets, being depreciated:				
Vehicles	\$ <u>3,104</u>	\$ <u>680</u>	\$ <u>(595)</u>	\$ <u>3,189</u>
Total capital assets, being depreciated	3,104	680	(595)	3,189
Less accumulated depreciation for:				
Vehicles	<u>(2,545)</u>	<u>(234)</u>	<u>595</u>	<u>(2,184)</u>
Total accumulated depreciation	<u>(2,545)</u>	<u>(234)</u>	<u>595</u>	<u>(2,184)</u>
Governmental activities capital assets, net	<u>\$ 559</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ 1,005</u>

Depreciation expense for the year ended June 30, 2015 was charged to functions of the Collaborative as follows (in thousands):

Governmental Activities:	
Administration	\$ 4
Transportation	<u>230</u>
Total depreciation expense	<u>\$ 234</u>

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent fiscal year 2015 expenditures paid after June 30, 2015.

8. Capital Lease Obligations

The Collaborative is the lessee of a vehicle under a capital lease expiring in 2016. Future minimum lease payments under the capital lease consisted of the following as of June 30, 2015:

	<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
	2016	\$ <u>5,567</u>
Total minimum lease payments		5,567
Less amounts representing interest		<u>(337)</u>
Present Value of Minimum Lease Payments		<u>\$ 5,230</u>

9. Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/14	Additions	Reductions	Total Balance 6/30/15	Less Current Portion	Equals Long-Term Portion 6/30/15
<u>Governmental Activities</u>						
Capital leases	\$ 10	\$ -	\$ (5)	\$ 5	\$ (5)	\$ -
Compensated absences	44	1	(9)	36	(7)	29
Other post-employment benefits	<u>141</u>	<u>529</u>	<u>(545)</u>	<u>125</u>	<u>-</u>	<u>125</u>
Totals	<u>\$ 195</u>	<u>\$ 530</u>	<u>\$ (559)</u>	<u>\$ 166</u>	<u>\$ (12)</u>	<u>\$ 154</u>

10. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2015:

	<u>Fund Basis</u>
	<u>Governmental</u>
	<u>Funds</u>
	<u>General Fund</u>
Unavailable revenues	\$ 270,908

11. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

12. Governmental Funds – Balances

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

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

The following types of fund balances are reported at June 30, 2015:

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Collaborative's highest level of decision-making authority (i.e., Board of Directors). This fund

balance classification includes professional development resources that are accounted for in the Collaborative's special revenue funds.

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

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

Following is a breakdown of the Collaborative's fund balances at June 30, 2015:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted			
Donation fund	\$ -	\$ 6,864	\$ 6,864
Total Restricted	-	6,864	6,864
Committed			
Professional development	-	7,186	7,186
Total Committed	-	7,186	7,186
Assigned			
Encumbrances	330,223	-	330,223
Appropriated fund balance	478,801	-	478,801
Total Assigned	809,024	-	809,024
Unassigned			
General fund	2,198,519	-	2,198,519
Total Unassigned	2,198,519	-	2,198,519
Total Fund Balance	\$ 3,007,543	\$ 14,050	\$ 3,021,593

13. Commitments and Contingencies

Outstanding Lawsuits - Management is not aware of any pending lawsuits.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In fiscal year 2015, the Collaborative did not receive or expend any federal or state grant funds.

14. Post-Employment Healthcare Benefits

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

A. Plan Description

In addition to providing the pension benefits described in Notes 15 and 16, the Collaborative provides post-employment healthcare benefits for retired employees through the Collaborative's plan. Benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2014, the most recent actuarial valuation date, approximately 40 retirees and 228 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The Collaborative's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

The following table shows the components of the Collaborative's annual OPEB cost for the year ending June 30, 2015, the amount actually con-

tributed to the plan, and the change in the Collaborative's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 528,885
Adjustment to ARC	<u>(16,906)</u>
Annual OPEB cost	511,979
Projected benefit payments	<u>(228,169)</u>
Increase in net OPEB obligation	283,810
Net OPEB obligation - beginning of year	<u>140,897</u>
Net OPEB obligation - end of year	424,707
(1) Contributions toward net OPEB obligation	<u>(300,000)</u>
Net unfunded OPEB obligation - end of year	<u><u>\$ 124,707</u></u>

(1) See Part G - Retirees' Health Insurance Trust Fund for additional information

The Collaborative's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 511,979	103.2%	\$ 124,707
2014	\$ 611,750	106.1%	\$ 140,897
2013	\$ 640,294	109.5%	\$ 178,175

The Collaborative's net OPEB obligation as of June 30, 2015 is recorded as a non-current liability in the government-wide Statement of Net Position.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 5,056,739
Actuarial value of plan assets	<u>(2,315,918)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,740,821</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>45.8%</u>
Covered payroll (active plan members)	<u>\$ N/A</u>
UAAL as a percentage of covered payroll	<u>N/A</u>

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

F. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the Frozen Entry Age actuarial cost method was used, with allocation based on service. The actuarial value of assets is equal to the market value of plan assets at the actuarial valuation date. The actuarial assumptions included a 6.0% investment rate of return and an initial annual healthcare cost trend rate of 6.25%, grading down to 2.5% in fiscal year 2020 and later in 0.75-point intervals. The unfunded actuarial accrued liability is amortized over 30 years in level dollar amounts, starting in fiscal year 2011.

G. Retirees' Health Insurance Trust Fund

The Collaborative has established a Retirees' Health Insurance Trust Fund in accordance with Massachusetts General Laws Chapter 32B to offset the future costs of providing other post-employment benefits to eligible Collaborative retirees. In fiscal year 2015, the Collaborative contributed \$300,000 to this fund. The fair value of assets held in the Retirees' Health Insurance Trust Fund at June 30, 2015 is \$2,691,067. The Collaborative's actuarially determined net unfunded OPEB obligation at June 30, 2015 is \$124,707.

The Retirees' Health Insurance Trust Fund is reported as a fiduciary fund on pages 19-20 of this report.

15. Massachusetts State Employees' Retirement System (MSERS)

A. Plan Description

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

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

B. Benefits Provided

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

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

MSERS' funding policies have been established by Chapter 32 of the MGL and the State Legislature has the authority to amend these policies.

The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2000 Employees table projected 20 years with Scale AA (gender distinct)
 - Post-retirement - reflects Healthy Annuitant table projected 15 years with Scale AA (gender distinct)
 - Disability – the mortality rate is assumed to be in accordance with the RP-2000 table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

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, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.00%	7.20%	7.70%
Core fixed income	13.00%	2.50%	2.00%
Hedge funds	10.00%	5.50%	4.75%
Private equity	10.00%	8.80%	9.00%
Real estate	10.00%	6.30%	6.00%
Value added fixed income	10.00%	6.30%	6.30%
Timeber/natural resources	4.00%	5.00%	5.00%
Total	<u>100.00%</u>		

E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

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

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$ 12,082,000	\$ 8,903,042	\$ 6,174,000
June 30, 2014	\$ 10,748,000	\$ 7,424,105	\$ 4,571,000

G. Special Funding Situation – Educational Collaboratives

Educational collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by the Public Employees' Retirement Commission (PERAC), currently 5.6% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth, as a nonemployer contributing entity, is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation, as defined by GASB Statement No. 68.

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

H. Collaborative Proportions

In fiscal year 2014 (the most recent measurement period), the Commonwealth's total proportionate share of the net pension liability and pension expense associated with the Collaborative was \$7,744,418 and \$550,709 respectively, based on a proportionate share of 0.10431%. As required by GASB 68, the Collaborative has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

16. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

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

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the

State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

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

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

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

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, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.00%	7.20%	7.70%
Core fixed income	13.00%	2.50%	2.00%
Hedge funds	10.00%	5.50%	4.75%
Private equity	10.00%	8.80%	9.00%
Real estate	10.00%	6.30%	6.00%
Value added fixed income	10.00%	6.30%	6.30%
Timeber/natural resources	4.00%	5.00%	5.00%
Total	<u>100.00%</u>		

E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

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

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$ 21,427,000	\$ 17,234,000	\$ 13,672,000
June 30, 2014	\$ 20,247,000	\$ 15,896,000	\$ 12,200,000

G. Special Funding Situation

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

H. Collaborative Proportions

In fiscal year 2014 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Collaborative was \$11,584,563 and \$804,835 respectively, based on a proportionate share of 0.072876%. As required by GASB 68, the Collaborative has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

17. Risk Management

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Collaborative carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

18. Beginning Fund Balance Restatement

The beginning (July 1, 2014) fund balance of the Collaborative has been restated as follows:

Fund Basis Financial Statements:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
As previously reported	\$ 4,798,142	\$ 25,773	\$ 4,823,915
Reclassify summer program fund	<u>8,476</u>	<u>(8,476)</u>	<u>-</u>
As restated	<u>\$ 4,806,618</u>	<u>\$ 17,297</u>	<u>\$ 4,823,915</u>

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)
(Amounts Expressed in thousands)

Other Post-Employment Benefits

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

See Independent Auditors' Report.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)

	<u>2015</u>
<u>Massachusetts State Employees' Retirement System:</u>	
Proportion of the net pension liability for the most recent measurement date	0.10431%
Collaborative's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability associated with the Collaborative	<u>7,744,418</u>
Total net pension liability associated with the Collaborative	<u>\$ 7,744,418</u>
Covered-employee payroll for the most recent measurement date	\$ 5,750,125
Proportionate share of the net pension liability as a percentage of covered-employee payroll	134.68%
Plan fiduciary net position as a percentage of the total pension liability	76.32%
<u>Massachusetts Teachers' Retirement System</u>	
Proportion of the net pension liability for the most recent measurement date	0.07288%
Collaborative's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' proportionate share of the total net pension liability associated with the Collaborative	<u>11,584,563</u>
Total net pension liability associated with the Collaborative	<u>\$ 11,584,563</u>
Covered-employee payroll for the most recent measurement date	\$ 4,498,094
Proportionate share of the net pension liability as a percentage of covered-employee payroll	257.54%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

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

See Independent Auditors' Report.

CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015
(Unaudited)

	<u>2015</u>
<u>Massachusetts State Employees' Retirement System</u>	
Contractually required contribution	\$ 321,059
Contributions in relation to the contractually required contribution	<u>321,059</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll for the current fiscal year	\$ 5,750,125
Contributions as a percentage of covered-employee payroll	5.6%

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

See Independent Auditors' Report.