Assabet Valley Collaborative

Financial Statements

For the Year Ended June 30, 2018

Assabet Valley Collaborative
Contents
For the Year Ended June 30, 2018

FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Assabet Valley Collaborative
Marlborough, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Assabet Valley Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Assabet Valley Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, each major fund, and the aggregate remaining fund information of Assabet Valley Collaborative, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note A to the financial statements, in fiscal 2018, the Collaborative fully implemented Governmental Accounting Standards Board Statements No. 74, *Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3-7 and 31-33 be presented to supplement the basic financial statements. Such information, although not 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Assabet Valley Collaborative's basic financial statements. The supplementary information on pages 35-39 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, on our consideration of Assabet Valley Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Assabet Valley Collaborative's internal control over financial reporting and compliance.

Fritz DeGuglielmo LLC

Certified Public Accountants
Newburyport, Massachusetts
November 16, 2018

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2018

The following discussion and analysis of the Assabet Valley Collaborative's (the Collaborative) financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2018 and summarized comparative information for 2017. Please read it in conjunction with the Collaborative's financial statements, which follow.

THE COLLABORATIVE AS A WHOLE

The Collaborative was established for the purpose of conducting educational programs and/or services, which meet low-incidence special needs children for whom its member school committees are responsible. The Collaborative also provides clinical services as requested by its member districts. Non-member school districts may contract for program and clinical services as capacity allows. The Collaborative is supported through program tuition and fees for clinical services from contracting municipalities. The Collaborative is governed by an eleven member Board of Directors consisting of one representative from each district.

The Collaborative operated within the budget established by the Board of Directors for the year ended June 30, 2018. During Fiscal 2018, the Collaborative continued to lease a 17 classroom building in Marlborough where its therapeutic middle and high school program is based as part of a 25 year lease agreement with the City of Marlborough. Highlights of the agreement include: exclusive use of the facility, responsibility for building improvements, repair and landscaping. The Collaborative also owns administrative offices and professional development space located at 28 Lord Road, Marlborough, Massachusetts. Their Marlborough Evolution post graduate program and Family Success Partnership are also located there.

The Collaborative's Orchard Street Academy (OSA), a tuition based therapeutic middle and high school program served 79 students, equating to 49.81 full time equivalent (FTE) and served 39 students equating to 44.69 FTE, in its SOAR 45 day assessment program. Enrollment in AVC's intensive special needs REACH program totaled 14 students equating to 10.99 FTE. REACH program classrooms are located in member district schools. The post graduate program for 18 to 22 year old students with intensive special needs, Crossroads, was integrated with the Evolution program in FY13 (Tier 3). The Collaborative is in its ninth year of programming for Evolution (located at Shrewsbury High School and Marlborough) with enrollment of 33 students and 27.77 full time equivalent students respectively. FY18 marks the fourth year of programming in Marlborough for Evolution students. (This cohort of students is smaller than the Shrewsbury cohort.) In addition, the Collaborative provided specialized transportation for 436 students to and from public day, private day and residential placements. FY18 marked the sixth year of a transportation contract with VanPool Inc. Therapeutic and consultation services were provided to 135 students within member districts in the following disciplines: occupational, physical, speech, vision, transition, child psychiatry and music therapies. The Family Success Partnership is in its seventh year of providing wrap-around services to 176 families in collaboration with member districts. (Individuals receiving service during this fiscal year totaled 552. The issues families and individuals face are increasingly more complex, leading to extended service periods. The complexities among the communities served are very diverse as well.) The Collaborative also provided professional development programs to over 550 school personnel from member and non-member districts.

The Collaborative had a general fund balance of $2,287,865 as of June 30, 2018.

OVERVIEW OF THE FINANCIAL REPORTS

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

Government-wide Statements:

The government-wide financial statements report information about the Collaborative as a whole using accounting methods similar to those used by private sector companies.

- The **Statement of Net Position** presents information on all of the Collaborative's assets and liabilities with the difference between the two reported as net position. It is one way of measuring the Collaborative's financial health or position.

- The **Statement of Activities** presents information showing how the Collaborative's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

Over time, increases or decreases in the Collaborative's net position is an indicator of whether its financial position is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions when evaluating the overall financial health of the Collaborative.

Fund Financial Statements:

Funds are accounting devices used to keep track of specific sources of funding and spending in particular categories: governmental funds, proprietary funds, and fiduciary funds. Presently, the Collaborative has only governmental and fiduciary funds.

- **Governmental funds –** The Collaborative's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Collaborative's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.

- **Fiduciary fund –** 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 the Financial Statements:

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in the Collaborative's financial statements.

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. This report also includes other supplementary information, which provides more detail supporting the financial statements and information required by the Massachusetts Department of Elementary and Secondary Education.

GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

The following summarized Statement of Net Position is for the fiscal year 2018 with comparative information from fiscal year 2017:

	June 30, 2018	June 30, 2017
Current assets, i.e. cash, accounts receivable and prepaid expenses	$ 4,178,000	$ 3,398,000
Capital assets	1,047,000	1,138,000
Total Assets	$ 5,225,000	$ 4,536,000
Current liabilities, i.e. accounts payable, accrued expenses, current portion of long-term debt and unearned revenue	$ 1,884,000	$ 1,512,000
Non-current liabilities	5,648,000	3,714,000
Total Liabilities	$ 7,532,000	$ 5,226,000
Net Position:		
Invested in capital assets	$ 369,000	$ 406,000
Restricted	50,000	-
Unrestricted	(2,726,000)	(1,096,000)
Total Net Position	$ (2,307,000)	$ (690,000)

During fiscal year 2018, net position decreased by approximately $32,000 before the cumulative effect of recording the beginning balance adjustment of the net OPEB liability in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 75. The prior period adjustment was approximately $1,585,000. During fiscal 2018, Assabet Valley Collaborative recorded increases in the net retirement health benefit obligations required by GASB Statement No. 75. of approximately $469,000. The net effect results in a surplus of approximately $436,000 which is a result of Collaborative operations during the fiscal year.

Current assets increased approximately $780,000 due primarily to operations. The Collaborative also recorded transfers of $75,000 into its OPEB trust and $50,000 into its Capital Reserve Fund.

As indicated in the following summarized Statement of Activities, total revenue increased by approximately $1,802,000 and expenses increased approximately $601,000 during fiscal year 2018. Charges for services increased approximately $1,740,000 from fiscal year 2017 primarily due to more transportation, alternative high school, REACH and vocational evolution activities. There were various other small increases and decreases in revenues amongst the other programs. There was also an increase in assessment income of $24,000. Other postemployment benefits decreased approximately $192,000 over fiscal year 2017. Education and other services expenses increased by approximately $695,000, primarily due to higher transportation costs and additional personnel.

	Year ended June 30, 2018	Year ended June 30, 2017	% Change
Revenues:			
Assessments to member towns	$ 90,000	$ 66,000	
Charges for services	13,697,000	11,957,000	
Intergovernmental revenue	1,663,000	1,623,000	
Grants and contributions	3,000	11,000	
Interest income	10,000	8,000	
Other	17,000	13,000	
Total Revenues	15,480,000	13,678,000	+13.2%
Expenses:			
Administration	853,000	854,000	
Education and other services	12,404,000	11,709,000	
Intergovernmental expense	1,663,000	1,623,000	
Other postemployment benefits	469,000	661,000	
Interest expense	33,000	6,000	
Depreciation and amortization	90,000	76,000	
Total Expenses	15,512,000	14,929,000	+3.9%
Change in net position	(32,000)	(1,251,000)	
Net position - beginning of year	(690,000)	561,000	
Cumulative effect of change in accounting principle	(1,585,000)	-	
Net position - end of year	$ (2,307,000)	$ (690,000)	

CAPITAL ASSETS AND DEBT ADMINISTRATION

During 2018, the Collaborative incurred no capital asset expenditures. The Collaborative's debt consists of loans to finance the purchase of vehicles and real estate. As of June 30, 2018, and 2017, the remaining principal balance of the loans was $678,296 and $731,715, respectively. During fiscal 2018 and 2017, the principal of the loans was paid down by $53,419 and $42,093, respectively.

Additional information on the Collaborative's capital assets and loans can be found in Note D in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget for fiscal year 2018 provided for a surplus of approximately $299,000. In fiscal year 2018 actual revenues, excluding intergovernmental revenue, were lower than budgeted amounts by approximately $30,000, primarily due to lower than expected transportation revenues. Total expenditures, excluding intergovernmental expense, were lower than budgeted amounts by approximately $103,000, primarily due to lower than expected administration costs. The budget was amended during fiscal 2018 in order to reflect increased revenue and expenditures from higher than expected program participation and to include a transfer to the capital reserve fund and an increased transfer to the OPEB Trust.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the 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 information should be addressed to the Business Office of the Collaborative.

Assabet Valley Collaborative
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	$ 2,428,703
Accounts receivable, net	1,748,888
Total Current Assets	4,177,591
Non-current Assets	
Capital assets	1,546,541
Accumulated depreciation	(499,164)
Total Non-current Assets	1,047,377
Total Assets	$ 5,224,968
LIABILITIES AND NET POSITION	
Current Liabilities	
Current portion of long-term debt	$ 44,705
Accounts payable and accrued expenses	1,839,726
Total Current Liabilities	1,884,431
Non-current Liabilities:	
Long-term debt	633,591
Other postemployment benefits	5,014,187
Total Long Term Liabilities	5,647,778
Total Liabilities	7,532,209
Net Position	
Invested in capital assets, net of related debt	369,081
Restricted - capital reserve fund	50,000
Unrestricted	(2,726,322)
Total Net Position	(2,307,241)
Total Liabilities and Net Position	$ 5,224,968

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

Assabet Valley Collaborative
Statement of Activities
For the Year Ended June 30, 2018

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Administration	$ 852,803	$ -	$ -	$ (852,803)
Education	12,404,085	13,696,887	3,145	1,295,947
Intergovernmental revenue and expense	1,663,253	-	1,663,253	-
Other postemployment benefits	468,555	-	-	(468,555)
Interest expense	33,457	-	-	(33,457)
Depreciation and amortization	90,132	-	-	(90,132)
Total Governmental Activities	$ 15,512,285	$ 13,696,887	$ 1,666,398	(149,000)
General revenue:				
Assessments to member districts				90,000
Interest				9,557
Other				16,799
Total General Revenue				116,356
Change in Net Position				(32,644)
Net Position, Beginning of Year				
As previously reported				(689,894)
Cumulative effect of a change in accounting principle (see Note A)				(1,584,703)
				(2,274,597)
Net Position, End of Year				$ (2,307,241)

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

Assabet Valley Collaborative
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 2,378,703	$ 50,000	$ 2,428,703
Accounts receivable, net	1,748,888	-	1,748,888
Total Assets	$ 4,127,591	$ 50,000	$ 4,177,591
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 1,839,726	$ -	$ 1,839,726
Total Liabilities	1,839,726	-	1,839,726
Fund Balances:			
Nonspendable	-	-	-
Restricted	-	50,000	50,000
Committed	-	-	-
Assigned	-	-	-
Unassigned	2,287,865	-	2,287,865
Total Fund Balances	2,287,865	50,000	2,337,865
Total Liabilities and Fund Balances	$ 4,127,591	$ 50,000	$ 4,177,591

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

Assabet Valley Collaborative

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2018

Total fund balances, governmental funds	$ 2,337,865
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position	369,081
The Other postemployment benefit (OPEB) liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position.	(5,014,187)
Net Position of Governmental Activities	$ (2,307,241)

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

Assabet Valley Collaborative

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Capital Reserve Fund	Total Governmental Funds
Revenues:			
Member assessments	$ 90,000	$ -	$ 90,000
Program revenues	13,700,032	-	13,700,032
Intergovernmental revenue	1,663,253	-	1,663,253
Interest	9,557	-	9,557
Other	16,799	-	16,799
Total Revenues	15,479,641	-	15,479,641
Expenditures:			
Administration	852,803	-	852,803
Professional development	93,434	-	93,434
REACH/Crossroads	954,872	-	954,872
OT/PT/Therapies/Contract services	465,348	-	465,348
Transportation	5,920,910	-	5,920,910
Alternative programs (AVCAS)	3,107,954	-	3,107,954
Vocational program (Evolution)	1,398,990	-	1,398,990
PD Revolving MOEC	893	-	893
Evolution Events Club SA	683	-	683
Sudbury Fdtn Grant-FSP Cost Avoidance	845	-	845
Family success partnership (FSP)	457,156	-	457,156
ESHS Grant	3,000	-	3,000
Intergovernmental expense	1,663,253	-	1,663,253
Debt Service:			
Debt principal	53,419	-	53,419
Debt interest	33,457	-	33,457
Total Expenditures	15,007,017	-	15,007,017
Excess of Expenditures Over Revenues	472,624	-	472,624
Other Financing Sources:			
Transfer to restricted funds	(50,000)	50,000	-
Transfer to OPEB Trust	(75,000)	-	(75,000)
Net Change in Fund Balances	347,624	50,000	397,624
Fund Balances, Beginning of Year	1,940,241	-	1,940,241
Fund Balances, End of Year	$ 2,287,865	$ 50,000	$ 2,337,865

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

Assabet Valley Collaborative

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	$ 397,624
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
Depreciation	(90,132)
Governmental funds report debt service payments as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only the current year interest accrued on the debt as expense.	
Debt principal payments	53,419
Other postemployment benefits 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.	
Net change in other postemployment benefits (OPEB) accrual	(393,555)
Change in net position of governmental activities	$ (32,644)

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

Assabet Valley Collaborative

Statement of Fiduciary Net Position

Other Postemployment Benefits Trust

June 30, 2018

ASSETS	
Cash and cash equivalents	$ 125,338
Total Assets	$ 125,338
NET POSITION	
Net position held in trust for other postemployment benefits	$ 125,338
Total Net Position	$ 125,338

See accompanying notes to financial statements and independent auditor's report.

Assabet Valley Collaborative
Statement of Changes in Fiduciary Net Position
Other Postemployment Benefits Trust
For the year ended June 30, 2018

Additions:	
Contributions	$ 75,000
Interest and dividend income	234
Total Additions	75,234
Deductions:	
Retiree health insurance expense	-
Total Deductions	-
Change in Net Position	75,234
Net Position - Beginning of Year	50,104
Net Position - End of Year	$ 125,338

See accompanying notes to financial statements and independent auditor's report.

NOTE A - NATURE OF ORGANIZATION AND REPORTING ENTITY

Organization

The Assabet Valley Collaborative (the Collaborative) was established and operates under provisions of Massachusetts General Law Chapter 40, Section 4E, as amended by Chapter 43 of the Acts of 2012. The Collaborative includes the school districts of the City of Marlborough and towns of Auburn, Berlin, Bolton, Boylston, Hudson, Maynard, Northborough, Southborough, Westborough, Stow and Shrewsbury, Massachusetts and Algonquin Regional High School, Nashoba Regional High School, Tahanto Regional High School and Assabet Valley Regional Vocational High School, which are separated legal entities with their own governing bodies. Their operations are not part of the Collaborative's financial statements.

Assessments: According to the Collaborative Agreement, each member of the community is annually assessed a membership fee which is determined annually by the Board of Directors. The fiscal year 2018 membership fee was $7,500 per district. Revenue for assessments was $90,000 for fiscal year 2018 as approved by the Board of Directors.

The Collaborative provides services to special education students in grades 6 through 12 whose Individual Education Plan (IEP) Teams have identified a need for separate therapeutic settings. The Collaborative also provides vocational transition support into the community for post high school up to age 22. These services are provided to member communities on a tuition basis to cover direct operation expenditures. Non-member districts may access programs and services as capacity allows at the non-member rate.

Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the Governmental Accounting Standards Board, the accompanying financial statements present the Assabet Valley Education Collaborative and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Collaborative are significant. Pursuant to these criteria, the Collaborative did not identify any component units requiring inclusion in the accompanying financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Collaborative's basic financial statements include both government-wide (reporting the Collaborative as a whole) and fund financial statements (reporting the Collaborative's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. The Collaborative does not have any activities classified as business type activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cumulative effect of change in accounting principle

The Collaborative has fully implemented GASB Statements No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Statement No. 74 provides guidance to improve financial reporting of Other Postemployment Benefit (OPEB) Plans. Statement No. 75 provides guidance on employer reporting for employer governmental entities whose employees are provided with OPEB. Under Statement No. 75, the Collaborative is required to report the effects of OPEB-related transactions and events on its financial statements and to provide information about the Collaborative's OPEB obligations and the assets available to satisfy the obligations. Previously, the Collaborative recognized its Net OPEB obligation over a 30-year period in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Under Statements No. 74 and 75, the Collaborative is required to recognize its Net OPEB liability immediately. The beginning net position on the government-wide financial statements as a result of the cumulative effect of this change in accounting principle decreased in the amount of $1,584,703 from the amount previously reported in the financial statements for the year ended June 30, 2017. There was no change in the opening balance in the governmental fund balance as a result of the cumulative effect of this change in accounting principle.

Government-wide Financial Statements

In the government-wide Statement of Net Position, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The Collaborative's net position is reported in three parts—net investment in capital assets; restricted; and unrestricted. The Collaborative first utilizes restricted resources to finance qualifying activities.

The government-wide 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. The Collaborative does not allocate indirect expenses to functions in the statement of Activities. Program revenues included charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Collaborative as an entity and the change in the Collaborative's net position resulting from the current year's activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues and expenditures.

The emphasis in fund financial statements is on the major funds in the governmental activities categories. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Collaborative may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Collaborative's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (retirees) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The following governmental fund types are used by the Collaborative - the Collaborative does not use proprietary funds:

<u>Governmental Funds:</u>
The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Collaborative:

General fund - is the general operating fund of the Collaborative. It is used to account for all financial resources not accounted for and reported in another fund.

Capital reserve fund – used to account for and report financial resources that are restricted, committed, or assigned to be used for the acquisition, construction, or renovation of major capital facilities or equipment.

Non-major governmental funds - consist of other special revenue and permanent funds that are aggregated and presented in the non-major governmental funds column on the government funds financial statements.

<u>Fiduciary Funds:</u>
Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net position and changes in net position presented in fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (retiree health insurance participants) and cannot be used to address activities or obligations of the Collaborative, these funds are reported separately from that of the Collaborative's government-wide activities.

<u>Basis of Accounting and Measurement Focus</u>

The Collaborative's government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Collaborative's governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Charges for services provided to other education agencies and private parties are recognized as revenue when services are provided. Amounts owed to the Collaborative for services already performed, which are not available are recorded as receivables. Amounts received prior to the entitlement period are recorded as unearned revenue. Revenues susceptible to accrual include expenditure-driven programs and interest income.

Accounts Receivable

Accounts receivable represent amounts due from Collaborative members and communities participating in the various programs offered by the Collaborative. There is no allowance for doubtful accounts as all receivables were considered collectible at June 30, 2018.

Capital Assets

Government-wide Statements
In the Collaborative's financial statements, capital assets (with an asset cost greater than $5,000) are accounted for as capital assets. All capital assets are valued at historical cost of estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type is as follows:

Building and improvements	40 years
Leasehold improvements	10 years
Furniture and equipment	5 – 15 years

Fund Financial Statements
In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the governmental fund financial statements.

Budgets

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting as the General Fund.

Compensated Absences and Other Employee Benefits amounts

The Collaborative's policies allow employees to earn varying amounts of vacation pay each depending on the number of years employed and the particular contract of the employee. Vacation pay is granted on July 1 of each fiscal year and only a limited number of employees may carry over a limited amount from the preceding fiscal year. Upon separation of employment, the employee is entitled to the prorated amount of vacation pay outstanding at that time. The vacation liability carryover at June 30, 2018 totaled $12,928.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the Collaborative's financial statements as expense when the liabilities are incurred. There were no claims or judgments at the year-end that require reporting in the financial statements.

Equity Classifications

Government-wide Statements
Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end the portion of the debt attributable to the unspent proceeds are not included in the calculation or invested in capital assets. The Collaborative has no bonded debt on Capital assets at June 30, 2018.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other government or, (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements
Governmental fund equity is classified as fund balance. Fund balance in the fund financial statements is classified as nonspendable, restricted, committed, assigned or unassigned as described below:

Nonspendable: consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

Committed: Amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority (Board of Directors). This classification might also include contractual obligations if existing resources have been committed for use in satisfying those contractual requirements.

Assigned: Amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom authority has been given.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned: This is residual classification for the General Fund – that is, everything that is not in another classification or in another fund. The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Collaborative's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.

Allocation of Costs

Directly identifiable costs are charged to student services or general and administrative functions as applicable. Costs related to more than one function are allocated based on criteria intended to associate the cost with whichever function benefits.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and investments of Collaborative funds is restricted by state statues. Massachusetts General Law authorizes the Collaborative to invest in term deposits, Certificates of Deposit, in trust companies, national banks, savings banks or in obligations issued by the U.S. Government or one of its agencies.

The carrying amount of the Collaborative's deposits is separately displayed on the balance sheet as cash.

	June 30, 2018	
	Carrying Amount	Bank Balance
Insured (FDIC) and (DIF)	$2,554,041	$2,697,263
Total Cash	$2,554,041	$2,697,263

Deposits are insured by the Federal Deposit Insurance Corporation up to $250,000 and deposits, including Certificates of Deposits in Massachusetts-chartered savings banks are insured in full above the FDIC limit from Depositors Insurance Fund (DIF) of Massachusetts

Cash is reported in financial statements as follows:

Governmental Activities	$2,428,703
Fiduciary Funds	125,338
Total	$2,554,041

NOTE D - CAPITAL ASSETS AND LOANS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance 6/30/17	Additions	Balance 6/30/18
Capital assets being depreciated:			
Leasehold improvements	$448,247	$ -	$ 448,247
Building and improvements	924,342	-	924,342
Furniture and equipment	41,867	-	41,867
Vehicles	132,085	-	132,085
Total Capital Assets Being Depreciated	1,546,541	-	1,546,541
Less: Accumulated depreciation for:			
Leasehold improvements	282,537	44,825	327,362
Building and improvements	5,562	25,695	31.257
Furniture and equipment	41,867	-	41,867
Vehicle	79,066	19,612	98,678
Total Accumulated Depreciation	409,032	90,132	499,164
Net Capital Assets	$1,137,509	($90,132)	$1,047,377

Depreciation expense was not charged to various functions but was shown as a separate line item in the statement of activities.

The Collaborative has purchased several vehicles as well as property over the years and financed the purchases with loans with interest payable at 2.49% to 4.75%. As of June 30, 2018, the remaining balance on the loans was $678,296.

Future maturities of debt are as follows:

Fiscal	
2019	$ 44,705
2020	39,693
2021	38,180
2022	40,060
2023	42,032
2024-2028	243,216
2029-2032	230,410
	$678,296

NOTE E - CUMULATIVE SURPLUS

In accordance with Massachusetts regulation 603 C.M.R. 50.07, the Collaborative has determined that its Cumulative Surplus as of June 30, 2018 is equal to the Unassigned General Fund Balance of $2,287,865. The Collaborative Agreement stipulates that the Board will retain no more than 25 percent of the previous year's (i.e. audited year's) general fund expenditures, which is equal to $3,367,191, in cumulative surplus.

NOTE F - MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREE SYSTEMS

Plan Descriptions

The Collaborative's employees participate in the Massachusetts Teachers' (MTRS) or State Employee' Retirement System (MSERS), statewide cost-sharing multi-employer defined benefit plans public employee retirement systems (PERS) covering all employees of local school districts within the Commonwealth of Massachusetts. The retirement systems issue publicly available annual reports that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

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, and 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.

The MSERS' 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 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.

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 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.

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.

NOTE F - MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREE SYSTEMS (continued)

Contributions

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

Hire Date % of Compensation
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
1979 to present…………An additional 2% of regular compensation in excess of $30,000

Educational Collaboratives contribute amounts equal to the normal cost of employees' benefits participating in MSERS at a rate established by the Public Employees' Retirement Administration 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. During fiscal year 2018, the Collaborative's contributions on behalf of employees totaled $76,221.

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

Hire Date % of Compensation
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

The Commonwealth is a nonemployer contributor in MTRS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS.

The Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity under both MSERS and MTRS. Since the employers do not contribute directly to each system beyond the MSERS annual normal cost, there is no net pension liability to recognize. However, the notes to the financial statements must disclose the portion of the nonemployer contributing entities' share of the collective net pension liability that is associated with the employer. In addition, the Collaborative must recognize its portion of the collective pension expense as both a revenue and pension expense.

The nonemployer contributing entities' share of the collective net pension liability that is associated with the Collaborative was measured as of June 30, 2018 and was $3,222,152 and $11,941,119 under MSERS and MTRS, respectively. In fiscal year 2018, the Collaborative recognized revenue and related expense of $416,924 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal year 2018, the Collaborative recognized revenue and related expense of $1,246,329, (under GASB Statement No. 68) for its portion of the collective pension expense under MTRS. These amounts are recorded as Intergovernmental revenue and expense in the financial statements.

NOTE G - LEASE DISCLOSURES

The Collaborative rents classrooms and office space from several of its member communities. The following summarizes rent by these locations:

Location	Rental Space	Annual Rent
Marlborough – Bigelow School	AVCAS School Building	$151,541
Shrewsbury – High School	Evolution Program	$ 40,598
Algonquin Regional High School	REACH Classroom	$ 4,000
Southborough – Trottier Middle School	REACH Classroom	$ 4,000

Rent expense for real property leases totaled $200,138 for the fiscal year ended June 30, 2018.

Future minimum payments, by year, for the next five years and in the aggregate, under non-cancellable real property operating leases consisted of the following at June 30, 2018:

Fiscal year-end	Amount
2019	$ 204,363
2020	182,457
2021	160,816
2022	164,032
2023	167,313
2024-2028	888,117
2029-2033	980,553
2034-2038	1,082,610
Total	$3,830,261

In addition, the Collaborative leases copy and postage equipment. Future minimum lease payments under non-cancellable operating equipment leases with initial or remaining terms of one year or more consisted of the following at June 30, 2018.

Fiscal year-end	Amount
2019	$11,910
2020	3,949
Total Minimum Lease Payments	$15,859

Rent expense for operating equipment leases for fiscal 2018 totaled $11,910.

NOTE H – POSTEMPLOYMENT HEALTHCARE PLAN

The Collaborative follows the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions." The Collaborative has also established a trust that follows the provisions of GASB Statement No. 74 that is intended to set funds aside for future retiree health insurance. The trust does not issue a separate financial report and its financial activities are reported in the fiduciary financial statements

Description

The Collaborative, per its contracts with employees, generally will pay 50 percent of health care benefits for retirees and their spouses. This agreement can be amended by action of the Collaborative subject to applicable policy changes and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purposes of paying benefits under the plan. The Plan currently covers 78 active employees and 2 inactive employees.

NOTE H – POSTEMPLOYMENT HEALTHCARE PLAN - *continued*

Funding Policy

The Collaborative has not established a formal funding policy.

Funded Status and Funding Progress

As of June 30, 2018, the most recent valuation date, the actual accrued liability for benefits was $5,139,525, and the actuarial value of plan assets was $125,338, resulting in an unfunded actuarial liability of $5,014,187. As of the July 1, 2017 measurement date, the plan is 2.44% funded as of June 30, 2018 and had covered payroll of $4,590,180.

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 trend. Amounts determined regarding the funded status of the plan and the actuarially determined contribution of the employer 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 process, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Total OPEB Liabilities for benefits.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Collaborative's annual OPEB costs for the fiscal year, the amount deemed to have been actually contributed to the plan, the percentage of annual OPEB cost contributed to the plan and changes in the Collaborative's net OPEB obligation to the plan as of the last actuarial valuation:

	Fiscal Year Ended June 30, 2018	
	Collaborative Employees and Retirees	Total
I. Total OPEB Liability	$ 5,139,525	$ 5,139,525
II. Fiduciary Net Position as of June 30, 2018	125,338	125,338
III. Net OPEB Liability (Asset) [I.-II.]	5,014,187	5,014,187
IV. Service cost	660,550	660,550
V. Interest	190,296	190,296
VI. Changes of benefit terms	-	-
VII. Differences between expected and actual experience	-	-
VIII. Changes of assumptions	(363,836)	(363,836)
IX. Benefit payments	(18,455)	(18,455)
X. Net OPEB Expense	$ 468,555	$ 468,555

Effect of 1% Change in Discount Rates

If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to $3,969,385 or by 20.8%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to $6,412,339 or by 27.9%.

Effect of 1% Change in Healthcare Trend

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Total OPEB Liability would increase to $6,756,053 or by 34.7%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Total OPEB Liability would decrease to $3,778,133 or by 24.7%.

NOTE H – POSTEMPLOYMENT HEALTHCARE PLAN - *continued*

Actuarial Methods and Assumptions

Discount rate:	3.87% (previously 3.58%)
Actuarial cost method:	Entry Age Normal
Amortization method:	Increasing at 3.5% over 30 years on an open amortization period
Amortization period:	30 years
Asset valuation method:	Market value
Inflation:	2.6%
Healthcare cost trend rates:	8% for 2017, decreasing 0.5% per year to 5.5%, then grading down to an ultimate trend rate of 3.8%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
Participation rates:	Medical – 70% of eligible retired employees will elect to participate. Dental – Not offered to retired employees. Life – Note offered to retired employees. Medicare – All retired employees are assumed to enroll in Medicare at age 65.
Marital status:	70% of employees are assumed to retire with a covered spouse. Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. For current retirees, the actual census is used.
Eligibility for postemployment benefits:	Employees of the Collaborative and their dependents are eligible for postemployment medical insurance based on the eligibility requirements under the Massachusetts State Employees and Massachusetts Teachers Retirement Systems.
Retirement eligibility:	General employees hired before April 2, 2012: retire after attaining age 55 with 10 or more years of service or any age with 20 or more years of service General employees hired after April 1, 2012: retire after obtaining age 60 or with 10 or more years of service.
Retiree Contributions:	Retired employees contribute 50% of the total medical premium. Annual per capital participant contributions for the fiscal year beginning July 1, 2017 are \$4,334 and \$2,188 for Non-Medicare and Medicare, respectively.
Post-retirement mortality:	Post-retirement mortality rates for General employees are based on the RP-2014 Healthy Annuitant Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016 and set forward one year for females.
Pre-retirement mortality:	Pre-retirement mortality rates for General employees are based on the RP-2014 Healthy Annuitant Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016 and set forward one year for females.

NOTE H – POSTEMPLOYMENT HEALTHCARE PLAN - *continued*

Ordinary disability eligibility:	Any member who is unable to perform his or her duties due to a non-occupational disability and has 10 or more years of creditable service.
Continuation of coverage to Spouse after death of retiree:	Surviving spouses may continue coverage for lifetime by paying the required medical premium.

Deferred Outflows and Deferred Inflows of Resources
Deferred Outflows of Resources and Deferred Inflows of Resources arising from changes of assumptions are recognized in OPEB Expense over the average expected remaining service life of all active and inactive participants. The decrease in the total OPEB liability arising from the changes of assumptions was $363,836 with $31,832 recognized in OPEB expenses through June 30, 2018 resulting in a Deferred Inflows of Resources balance of $332,004 at June 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources arising from differences between projected and actual earnings on OPEB Plan investments are recognized in OPEB expense over five years. Investment earnings projected totaled $1,518. Amounts recognized in OPEB expense through June 30, 2018 were $304 which resulted in Deferred Outflows of Resources balance of $1,214 at June 30, 2018.

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources will be recognized in OPEB expense as follows:

Fiscal year-end	Amount
2019	$ (31,528)
2020	(31,528)
2021	(31,529)
2022	(31,529)
2023	(31,832)
Thereafter	(172,844)
Total	$ (330,790)

NOTE I - RISK MANAGEMENT

The Collaborative is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; workers' compensation and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage. There were no significant changes in coverage compared to the prior year.

NOTE J - COMMITMENTS AND CONTINGENCIES

From time to time, the Collaborative may be party to various pending claims and legal proceedings. Although the outcomes of such matters cannot be forecast with certainty, it is the opinion of management and the Collaborative's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Collaborative's financial position or results of operations.

The Collaborative has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE J - COMMITMENTS AND CONTINGENCIES - *continued*

The Collaborative has employment contracts with members of management. The contracts expire on various dates from June 30, 2019 to June 30, 2022.

NOTE K –RESTRICTED FUND BALANCE

The Collaborative's Board of Directors has approved a capital budget plan in accordance with state regulations not to exceed $722,500. During the year ended June 30, 2018, the Collaborative recorded a transfer of $50,000 to the capital reserve fund. The remaining balance in the capital reserve fund at June 30, 2018 was $50,000.

NOTE L - SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through November 16, 2018, which is the date the financial statements were available to be issued.

Assabet Valley Collaborative

Required Supplementary Information

June 30, 2018

Assabet Valley Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
of the General Fund - Budget to Actual - Budgetary Basis
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Member assessments	$ 90,000	$ 90,000	$ 90,000	$ -
Professional development	127,738	109,344	108,872	(472)
Multiple handicapped (REACH/Crossroads)	852,780	878,290	878,006	(284)
OT/PT/Therapies/Contract services	471,736	489,473	431,519	(57,954)
Transportation	6,051,250	6,976,052	6,932,001	(44,051)
Alternative programs (AVCAS)	3,282,411	3,330,664	3,335,820	5,156
Vocational program (Evolution)	1,504,809	1,494,565	1,534,655	40,090
Family success partnership (FSP)	469,975	477,817	474,333	(3,484)
Other programs	-	-	4,826	4,826
Intergovernmental revenue*	-	-	1,663,253	1,663,253
Interest	-	-	9,557	9,557
Other	-	-	16,799	16,799
Total Revenues	12,850,699	13,846,205	15,479,641	1,633,436
Expenditures:				
Administration	947,806	910,715	852,803	57,912
Professional development	126,473	157,207	93,434	63,773
REACH/Crossroads	869,596	936,029	954,872	(18,843)
OT/PT/Therapies/Contract services	469,919	477,744	465,348	12,396
Transportation	5,219,331	5,937,874	5,920,910	16,964
Alternative programs (AVCAS)	3,051,352	3,136,888	3,107,954	28,934
Vocational program (Evolution)	1,519,981	1,426,815	1,398,990	27,825
Family success partnership (FSP)	465,489	463,968	457,156	6,812
Other	-	-	5,421	(5,421)
Intergovernmental expense*	-	-	1,663,253	(1,663,253)
Debt Service:				
Debt principal	-	-	53,419	(53,419)
Debt interest	-	-	33,457	(33,457)
Total Expenditures	12,669,947	13,447,240	15,007,017	(1,559,777)
Excess (Deficiency) of Revenues Over (Under) Expenditures	180,752	398,965	472,624	73,659
Other Financing Sources				
Transfer to restricted funds	-	(25,000)	(50,000)	(25,000)
Transfer to OPEB Trust	(50,000)	(75,000)	(75,000)	-
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures	$ 130,752	$ 298,965	$ 347,624	$ 48,659

*Intergovernmental revenue and expense is not budgeted by the Collaborative because it is actuarially determined annually and does not require actual expenditure by the Collaborative.

Assabet Valley Collaborative

Schedule of the Collaborative's Proportionate Share of Net Pension Liability

For the Year Ended June 30, 2018

		MTRS	MSERS
Collaborative's proportion of net pension liability	FY2014	0.04274%	0.02526%
	FY2015	0.04561%	0.02466%
	FY2016	0.04893%	0.02650%
	FY2017	0.05218%	0.02512%
Collaborative's proportionate share of net pension liability	FY2014	$ 6,793,883	$ 1,871,525
	FY2015	$ 9,345,520	$ 2,806,546
	FY2016	$ 10,938,585	$ 3,653,558
	FY2017	$ 11,941,119	$ 3,222,152
Collaborative's covered-employee payroll	FY2014	$ 2,619,601	$ 1,335,486
	FY2015	$ 2,891,227	$ 1,349,422
	FY2016	$ 3,218,268	$ 1,475,832
	FY2017	$ 3,552,532	$ 1,434,591
Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll	FY2014	259.35%	140.14%
	FY2015	323.24%	207.98%
	FY2016	339.89%	247.56%
	FY2017	336.13%	224.60%
Plan fiduciary net position as a percentage of the total pension liability	FY2014	61.64%	76.32%
	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%
	FY2017	54.25%	67.21%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note F to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2017.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Assabet Valley Collaborative
Schedule of Pension Contributions
For the Year Ended June 30, 2018

	FY2014	FY2015	FY2016	FY2017
MTRS				
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Collaborative's covered-employee payroll	$ 2,619,601	$ 2,891,227	$ 3,218,268	$ 3,552,532
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%
MSERS				
Contractually required contribution	$ 74,786	$ 75,568	$ 82,647	$ 80,337
Contributions in relation to the contractually required contribution	$ 74,786	$ 75,568	$ 82,647	$ 80,337
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Collaborative's covered-employee payroll	$ 1,335,464	$ 1,349,429	$ 1,475,839	$ 1,434,591
Contributions as a percentage of covered-employee payroll	5.60%	5.60%	5.60%	5.60%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement
MSERS is the Massachusetts State Employees'
Also, see Note F to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2017.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Contributions

The Collaborative is required to pay an annual appropriation as established by the Public Employees' Retirement Administration Commission (PERAC) for MSERS. No contribution is required for MTRS. The Commonwealth of Massachusetts as a nonemployer is legally responsible for the entire past service cost related to the Collaborative and therefore has a 100% special funding situation.

Assabet Valley Collaborative

Other Supplementary Information

June 30, 2018

Assabet Valley Collaborative

Statement of Revenues and Expenditures and Changes in Fund Balance by Program

For the Year Ended June 30, 2018

	REACH/ Crossroads	Transportation	Professional Development	Student Exchange	Alternative HS	Consultation Services	Vocational Evolution	Family Success Partnership	ESHS Grant
Revenues									
Programs	$ 878,006	$ 6,932,001	$ 108,872	$ -	$3,335,820	$ 431,519	$1,534,655	$ 474,333	$ -
Federal and state grants	-	-	-	-	-	-	-	-	3,000
Other revenue	-	-	-	-	-	-	-	-	-
Total Revenues	878,006	6,932,001	108,872	-	3,335,820	431,519	1,534,655	474,333	3,000
Expenditures									
Salaries	577,589	45,518	18,877	-	2,186,469	188,761	876,593	362,274	-
Therapy	127,854	-	-	-	51,713	203,324	112,115	-	-
Other contracted services	34,518	-	39,200	-	70,117	2,744	8,949	1,675	-
Transportation	-	5,863,541	-	-	4,414	14,752	39,668	-	-
Supplies	10,835	500	1,537	-	77,237	1,165	14,795	1,830	-
Retirement	11,039	2,785	-	-	-	-	-	-	-
Medicare	9,484	571	263	-	54,167	14,799	31,156	7,170	-
Travel	2,441	-	280	-	310	4,279	4,593	6,194	-
Medical insurance	110,564	7,112	727	-	253,681	39,080	164,515	65,296	3,000
Medical services	18,324	-	-	-	25,472	-	79,395	-	-
Rent	8,000	-	-	-	154,429	-	43,405	-	-
Maintenance	355	-	6,375	-	43,115	-	160	259	-
Membership & subscriptions	18	225	6,494	-	663	493	245	-	-
Telephone & utilities	5,109	658	3,500	-	114,390	2,295	16,293	3,848	-
Equipment	36,891	-	-	-	45,938	4,343	9,771	7,989	-
Misc. services	1,851	-	-	-	25,839	-	7,578	600	-
Professional development	-	-	16,181	-	-	-	-	21	-
Total Expenditures	954,872	5,920,910	93,434	-	3,107,954	476,035	1,409,231	457,156	3,000
Revenues (over) under expenditures before transfers	(76,866)	1,011,091	15,438	-	227,866	(44,516)	125,424	17,177	-
Other financing sources (uses):									
Operating transfers out	(68,488)	(424,676)	-	-	(222,918)	(34,910)	(101,811)	-	-
Net change in fund balances	(145,354)	586,415	15,438	-	4,948	(79,426)	23,613	17,177	-
Fund Balances - Beginning of Year	699,970	1,625,967	(39,756)	1,168	(231,083)	(192,351)	(941,044)	(40,894)	-
Fund Balances - End of Year	$ 554,616	$ 2,212,382	$ (24,318)	$ 1,168	$ (226,135)	$ (271,777)	$ (917,431)	$ (23,717)	$ -

See independent auditor's report.

Assabet Valley Collaborative

Statement of Revenues and Expenditures and Changes in Fund Balance by Program (Continued)

For the Year Ended June 30, 2018

	Reach Gift	Building Use Revolving	Insurance Revolving	MOEC Revolving	Evolution Event Club	Program Improve	CF Adams Trust	CF Adams Peer Review	Grant	Total Programs
Revenues										
Programs	$ -	$ -	$ -	$ 1,681	$ -	$ -	$ -	$ -	$ -	$13,696,887
Federal and state grants	-	145	-	-	-	-	-	-	-	3,145
Other revenue	-	-	-	-	-	-	-	-	-	-
Total Revenues	-	145	-	1,681	-	-	-	-	-	13,700,032
Expenditures										
Salaries	-	-	-	-	-	-	-	-	-	4,256,081
Therapy	-	-	-	-	-	-	-	-	-	495,006
Other contracted services	-	-	-	-	-	-	-	-	-	157,203
Transportation	-	-	-	-	-	-	-	-	-	5,922,375
Supplies	-	-	-	-	683	-	-	-	845	109,427
Retirement	-	-	-	-	-	-	-	-	-	13,824
Medicare	-	-	-	-	-	-	-	-	-	117,610
Travel	-	-	-	-	-	-	-	-	-	18,097
Medical insurance	-	-	-	-	-	-	-	-	-	643,975
Medical services	-	-	-	-	-	-	-	-	-	123,191
Rent	-	-	-	-	-	-	-	-	-	205,834
Maintenance	-	-	-	-	-	-	-	-	-	50,264
Membership & subscriptions	-	-	-	-	-	-	-	-	-	8,138
Telephone & utilities	-	-	-	-	-	-	-	-	-	146,093
Equipment	-	-	-	-	-	-	-	-	-	104,932
Misc. services	-	-	-	751	-	-	-	-	-	36,619
Professional development	-	-	-	142	-	-	-	-	-	16,344
Total Expenditures	-	-	-	893	683	-	-	-	845	12,425,013
Revenues (over) under expenditures before transfers	-	145	-	788	(683)	-	-	-	(845)	1,275,019
Other financing sources (uses):										
Operating transfers out	-	-	-	-	-	-	-	-	-	(852,803)
Net change in fund balances	-	145	-	788	(683)	-	-	-	(845)	422,216
Fund Balances - Beginning of Year	205	6,136	(18,626)	425	1,521	32,634	(3,460)	1,562	2,245	904,619
Fund Balances - End of Year	$ 205	$ 6,281	$ (18,626)	$ 1,213	$ 838	$ 32,634	$ (3,460)	$ 1,562	$1,400	$ 1,326,835

See independent auditor's report.

Assabet Valley Collaborative
Schedule of Treasurer's Cash
June 30, 2018

COMPOSITION OF CASH AT YEAR END:

Governmental fund cash is comprised of:

Avidia Bank (2 accounts)	Interest Bearing	$ 1,200,798
Avidia Bank (2 accounts)	Non-Interest Bearing	50,837
Marlborough Savings Bank (1 account)	Interest Bearing	1,218,869
Marlborough Savings Bank (1 account)	Non-Interest Bearing	(41,801)
Total governmental fund cash		$ 2,428,703

Fiduciary fund cash is comprised of:

Avidia Bank (1 account)	Interest Bearing	$ 125,338
Total fiduciary fund cash		$ 125,338

See independent auditor's report.

Assabet Valley Collaborative
Information Required by MGL Chapter 40
For the Year Ended June 30, 2018

Transactions between the Collaborative and any related for-profit or non-profit organization:
None

Transaction or contracts related to the purchase, sale, rental or lease of real property:
See Note G - Lease Disclosures

The names, duties and total compensation of the five most highly compensated employees:

Name and Title		Total Compensation
C. Cummins, Executive Director	$	155,464
A. Mahan, Assistant Executive Director of Finance	$	120,000
K. Kusiak, Consulting Psychiatrist	$	114,275
K. Laskey, Director of Satellite Programs	$	107,100
S. Van der Swaagh, Co-Director of Therapeutic Programs	$	105,800

Executive Director - Provides leadership in the planning, development and operations of all educational programs and services offered to participating members of the Collaborative.
Assistant Executive Director of Finance - Responsible for managing Payroll, Human Resources, Accounts Payable and Accounts Receivable departments on a daily basis. Responsibilities include financial reporting, preparing annual financial audit, and cash management.

Consulting Psychiatrist - child and adolescent psychiatry, empowering parents and schools to support children and teens in all aspects of development.

Program Directors - Responsible for the operation, maintenance, and general administration of program.

The amounts expended on administration and overhead:

Administration and overhead	$	852,803

Any accounts held by the Collaborative that may be spent at the discretion of another person or entity:
None

Amounts expended on services for individuals aged 22 years and older:
None

Any other items as may be required by regulation:
None

Assabet Valley Collaborative
Information Required by MGL Chapter 40 (Continued)
For the Year Ended June 30, 2018

Annual determination and disclosure of cumulative surplus:

Cumulative Surplus Calculation - FY18							Page(s) in financial statements
(A)		Voted Cumulative Surplus as of 6/30/17			$ 1,940,241	(A)	p. 12
(B)	1	Amount of (A) used to support the FY18 Budget	(B)1	$ -			
	2	Amount of (A) returned to member districts	(B)2	$ -			
		(B)1 + (B)2 = (B)			$ -	(B)	
(C)		Unexpended FY18 General Funds			$ 347,624	(C)	p. 12
(D)		Cumulative Surplus as of 6/30/18 (A) - (B) + (C) = (D)			$ 2,287,865	(D)	
(E)		FY18 Total General Fund Expenditures*			$ 13,468,764	(E)	p. 12
(F)		Cumulative Surplus Percentage	(D) ÷ (E)		17%	(F)	

* Excludes Intergovernmental expense

FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S 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*

To the Board of Directors of
Assabet Valley Collaborative
Marlborough, Massachusetts

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, each major fund, and the aggregate remaining fund information of Assabet Valley Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Assabet Valley Collaborative's basic financial statements, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Assabet Valley Collaborative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Assabet Valley Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Assabet Valley 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 Assabet Valley 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.

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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.

Fritz DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts
November 16, 2018

Assabet Valley
COLLABORATIVE

Providing joint programs and services for school districts of:
Assabet Valley Region
Auburn
Berlin/Boylston Region
Berlin
Boylston
Grafton
Hudson
Marlborough
Maynard
Millbury
Nashoba Region
Northborough
Northborough/Southborough Region
Southborough
Shrewsbury
Westborough

Offering the following programs:
Orchard Street Academy
Consultation Services
Evolution
Family Success Partnership
Professional Development
REACH
SOAR
Transportation Services

ACCEPTANCE OF THE BOARD OF DIRECTORS

We, the Board of Directors of the Assabet Valley Collaborative, have voted to accept the representations of management and the expression of the opinions made by Fritz DeGuglielmo LLC as embodied in the financial statements, supplemental schedules and independent auditor's reports for the year ended June 30, 2018.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and under Commonwealth of Massachusetts laws for the year ended June 30, 2018.

Board Chair-James Cummings

11·16·18

Date

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