

Assabet Valley Collaborative

Financial Statements

For the Year Ended June 30, 2017

Assabet Valley Collaborative
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For the Year Ended June 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 the management's discussion and analysis, budgetary comparison information, Schedule of Funding Progress – Other Postemployment Healthcare Benefits and pension schedules on pages 3-7, 27-31 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 the 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 basic financial statements. The supplementary information on pages 32-36 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 financial statements. The 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 14, 2017, 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.



Certified Public Accountants

Newburyport, Massachusetts

November 14, 2017

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2017

The following discussion and analysis of the Assabet Valley Collaborative's (the Collaborative) financial performance provides and overview of the Collaborative's financial activities for the fiscal year ended June 30, 2017 and summarized comparative information for 2016. 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, 2017. During Fiscal 2017, the Collaborative continued to lease a 17 classroom building in Marlborough where its therapeutic middle and high school program, Family Success Partnership and post graduate programming are 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 Board of Directors approved a capital expenditure that had not been anticipated at the beginning of the fiscal year for Administrative offices and professional development space. This space is located at 28 Lord Road, Marlborough, MA and was deemed necessary to create additional space at AVCAS, 57 Orchard Street, for program growth, and to expand professional learning opportunities for member districts.

The Collaborative served 74 students, equating to 46.15 full time equivalent (FTE) in its tuition based therapeutic middle and high school program (AVCAS) and 10 students equating to 8.95 FTE students in its intensive special needs REACH program. 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 eighth year of programming for the Evolution (located at Shrewsbury High School) and Soar programs and served 26.0 and 41.58 full time equivalent students respectively. FY17 marks the third 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 over 390 students to and from public day, private day and residential placements. FY17 was the fifth year of a transportation contract with Van Pool Inc. Therapeutic and consultation services were provided to 150 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 sixth year of providing wrap-around services to 177 families in collaboration with member districts. This represents an increase of approximately 34% over FY16. (The issues families and individuals have faced 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 1099 school personnel from member and non-member districts.

The Collaborative had a general fund balance of \$1,940,241 as of June 30, 2017.

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2017

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.

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2017

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 2017 with comparative information from fiscal year 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$ 3,398,000	\$ 4,227,000
Capital assets	1,138,000	259,000
Total Assets	<u>\$ 4,536,000</u>	<u>\$ 4,486,000</u>
Current liabilities, i.e. accounts payable, accrued expenses, current portion of long-term debt and unearned revenue	\$ 1,512,000	\$ 1,538,000
Non-current liabilities	3,714,000	2,387,000
Total Liabilities	<u>\$ 5,226,000</u>	<u>\$ 3,925,000</u>
Net Position:		
Invested in capital assets	\$ 406,000	\$ 218,000
Unrestricted	(1,096,000)	343,000
Total Net Position	<u>\$ (690,000)</u>	<u>\$ 561,000</u>

During fiscal year 2017, net position decreased by approximately \$1,251,000. Approximately \$661,000 of the decrease was due to the recording of the other postemployment benefit (OPEB) expense and approximately \$76,000 was due to depreciation on capital assets. The remaining \$514,000 decrease was a result of Collaborative operations during the fiscal year.

Current assets decreased approximately \$829,000 due primarily to operations and purchase of new office space. Cash payments at the time of the purchase of the real estate was approximately \$221,000. The Collaborative's operations resulted in a loss that was approximately \$300,000 more in fiscal year 2017 than in fiscal year 2016.

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2017

As indicated in the following summarized Statement of Activities, total revenue increased by approximately \$608,000 and expenses increased approximately \$890,000 during fiscal year 2017. Approximately \$551,000 of each increase was a result of higher reporting of the Collaborative's share of pension expenses required under GASB No. 68. Charges for services increased approximately \$169,000 from fiscal year 2016 primarily due to more transportation, alternative high school and vocational evolution activities. There was also a decrease in the REACH activity to offset some of the increases. There was also a decrease in other income of \$82,000. Other postemployment benefits decreased approximately \$153,000 over fiscal year 2016. Education and other services expenses increased by approximately \$445,000, primarily due to higher transportation costs and additional personnel.

	<u>Year ended</u> <u>June 30, 2017</u>	<u>Year ended</u> <u>June 30, 2016</u>	<u>% Change</u>
Revenues:			
Assessments to member towns	\$ 66,000	\$ 61,000	
Charges for services	11,957,000	11,788,000	
Intergovernmental revenue	1,623,000	1,072,000	
Grants and contributions	11,000	44,000	
Interest income	8,000	10,000	
Other	13,000	95,000	
Total Revenues	<u>13,678,000</u>	<u>13,070,000</u>	+4.7%
Expenses:			
Administration	854,000	821,000	
Education and other services	11,709,000	11,264,000	
Intergovernmental expense	1,623,000	1,072,000	
Other postemployment benefits	661,000	814,000	
Interest expense	6,000	1,000	
Depreciation and amortization	76,000	67,000	
Total Expenses	<u>14,929,000</u>	<u>14,039,000</u>	+6.3%
Change in net position	(1,251,000)	(969,000)	
Net position - beginning of year	<u>561,000</u>	<u>1,530,000</u>	
Net position - end of year	<u><u>\$ (690,000)</u></u>	<u><u>\$ 561,000</u></u>	

CAPITAL ASSETS AND DEBT ADMINISTRATION

During 2017, the Collaborative incurred capital asset expenditures totaling \$953,902. The Collaborative's debt consists of loans to finance the purchase of vehicles and real estate. As of June 30, 2017, and 2016, the remaining principal balance of the loans was \$731,715 and \$41,047, respectively. During fiscal 2017 and 2016, the principal of the loans was paid down by \$42,093 and \$29,657, respectively.

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

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

The revised budget for fiscal year 2017 provided for a deficit of approximately \$496,000, to be covered by prior year general funds. In fiscal year 2017 actual revenues, excluding intergovernmental revenue, were almost as anticipated. Total expenditures, excluding intergovernmental expense, were higher than budgeted amounts by approximately \$302,000, primarily due to staffing at expected levels for enrollment that did not materialize, an increase in transportation services provided and a capital expenditure for the purchase of 28 Lord Road-Suites 125/130, Marlborough, MA.

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, 2017

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,731,845
Accounts receivable, net	<u>1,666,388</u>
Total Current Assets	<u>3,398,233</u>
Non-current Assets	
Capital assets	1,546,541
Accumulated depreciation	<u>(409,032)</u>
Total Non-current Assets	<u>1,137,509</u>
Total Assets	<u>\$ 4,535,742</u>
LIABILITIES AND NET POSITION	
Current Liabilities	
Current portion of long-term debt	\$ 53,419
Accounts payable and accrued expenses	<u>1,457,992</u>
Total Current Liabilities	<u>1,511,411</u>
Non-current Liabilities:	
Long-term debt	678,296
Other postemployment benefits	<u>3,035,929</u>
Total Long Term Liabilities	<u>3,714,225</u>
Total Liabilities	<u>5,225,636</u>
Net Position	
Invested in capital assets, net of related debt	405,794
Unrestricted	<u>(1,095,688)</u>
Total Net Position	<u>(689,894)</u>
Total Liabilities and Net Position	<u>\$ 4,535,742</u>

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

Assabet Valley Collaborative
Statement of Activities
For the Year Ended June 30, 2017

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration	\$ 854,404	\$ -	\$ -	\$ (854,404)
Education	11,708,600	11,956,454	10,912	258,766
Intergovernmental revenue and expense	1,623,206	-	1,623,206	-
Other postemployment benefits	660,633	-	-	(660,633)
Interest expense	6,585	-	-	(6,585)
Depreciation and amortization	76,007	-	-	(76,007)
Total Governmental Activities	<u>\$ 14,929,435</u>	<u>\$ 11,956,454</u>	<u>\$ 1,634,118</u>	(1,338,863)
General revenue:				
Assessments to member districts				66,000
Interest				8,062
Other				13,508
Total General Revenue				<u>87,570</u>
Change in Net Position				(1,251,293)
Net Position, Beginning of Year				<u>561,399</u>
Net Position, End of Year				<u>\$ (689,894)</u>

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

Assabet Valley Collaborative
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,731,845	\$ -	\$ 1,731,845
Accounts receivable, net	<u>1,666,388</u>	<u>-</u>	<u>1,666,388</u>
Total Assets	<u>\$ 3,398,233</u>	<u>\$ -</u>	<u>\$ 3,398,233</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 1,457,992</u>	<u>\$ -</u>	<u>\$ 1,457,992</u>
Total Liabilities	<u>1,457,992</u>	<u>-</u>	<u>1,457,992</u>
Fund Balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>1,940,241</u>	<u>-</u>	<u>1,940,241</u>
Total Fund Balances	<u>1,940,241</u>	<u>-</u>	<u>1,940,241</u>
Total Liabilities and Fund Balances	<u>\$ 3,398,233</u>	<u>\$ -</u>	<u>\$ 3,398,233</u>

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, 2017

Total fund balances, governmental funds	\$ 1,940,241
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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	405,794
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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.	<u>(3,035,929)</u>
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Net Position of Governmental Activities	<u><u>\$ (689,894)</u></u>
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Assabet Valley Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Member assessments	\$ 66,000	\$ -	\$ 66,000
Program revenues	11,967,366	-	11,967,366
Intergovernmental revenue	1,623,206	-	1,623,206
Interest	8,062	-	8,062
Other	13,508	-	13,508
Total Revenues	<u>13,678,142</u>	<u>-</u>	<u>13,678,142</u>
Expenditures:			
Administration	854,404	-	854,404
Professional development	153,553	-	153,553
Multiple handicapped (REACH/Crossroads)	831,671	-	831,671
OT/PT/Therapies/Contract services	507,351	-	507,351
Transportation	5,268,215	-	5,268,215
Alternative programs (AVCAS)	3,016,941	-	3,016,941
Vocational program (Evolution)	1,503,214	-	1,503,214
Evolution Events Club SA	1,917	-	1,917
AVCAS-Mass Cultural Cncl Grant	3,514	-	3,514
Sudbury Fdtn Grant-FSP Cost Avoidance	155	-	155
Building Use Renovating	4,057	-	4,057
Family success partnership (FSP)	403,478	-	403,478
REACH gift	224	-	224
CF Adams Peer Review	12,300	-	12,300
ESHS Grant	18	-	18
Insurance revolving	1,992	-	1,992
Intergovernmental expense	1,623,206	-	1,623,206
Capital outlay, net of debt incurred	221,141	-	221,141
Debt Service:			
Debt principal	42,093	-	42,093
Debt interest	6,585	-	6,585
Total Expenditures	<u>14,456,029</u>	<u>-</u>	<u>14,456,029</u>
Excess of Expenditures Over Revenues	(777,887)	-	(777,887)
Other Financing Sources:			
Transfer to OPEB Trust	-	-	-
Net Change in Fund Balances	<u>(777,887)</u>	<u>-</u>	<u>(777,887)</u>
Fund Balances, Beginning of Year	2,718,128	-	2,718,128
Fund Balances, End of Year	<u>\$ 1,940,241</u>	<u>\$ -</u>	<u>\$ 1,940,241</u>

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, 2017

Net change in fund balances - total governmental funds \$ (777,887)

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.

Capital outlay purchases, net of debt incurred	221,141
Depreciation	(76,007)

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	42,093
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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	<u>(660,633)</u>
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Change in net position of governmental activities	<u><u>\$ (1,251,293)</u></u>
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Assabet Valley Collaborative
Statement of Fiduciary Net Position
Other Postemployment Benefits Trust
June 30, 2017

ASSETS

Cash and cash equivalents	<u>\$ 50,104</u>
Total Assets	<u><u>\$ 50,104</u></u>

NET POSITION

Net position held in trust for other postemployment benefits	<u>\$ 50,104</u>
Total Net Position	<u><u>\$ 50,104</u></u>

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

Assabet Valley Collaborative
Statement of Changes in Fiduciary Net Position
Other Postemployment Benefits Trust
For the year ended June 30, 2017

Additions:

Contributions	\$ -
Interest and dividend income	71
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Total Additions	71

Deductions:

Retiree health insurance expense	-
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Total Deductions	-
	<hr/>
Change in Net Position	71
Net Position - Beginning of Year	50,033
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Net Position - End of Year	\$ 50,104
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See accompanying notes to financial statements and independent auditor's report.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

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 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 2017 membership fee was \$6,000 per district. Revenue for assessments was \$66,000 for fiscal year 2017 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.

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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

Governmental Funds:

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.

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.

Fiduciary Funds:

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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting and Measurement Focus

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.

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, 2017.

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 or 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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 totaled \$27,585.

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, 2017.

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.)

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 statutes. 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.

	<u>June 30, 2017</u>	
	Carrying Amount	Bank Balance
Insured (FDIC) and (DIF)	<u>\$1,781,949</u>	<u>\$2,471,784</u>
Total Cash	<u>\$1,781,949</u>	<u>\$2,471,784</u>

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	\$1,731,845
Fiduciary Funds	<u>50,104</u>
Total	<u>\$1,781,949</u>

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

NOTE D - CAPITAL ASSETS AND LOANS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Balance</u> <u>6/30/17</u>
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	<u>102,525</u>	<u>29,560</u>	<u>132,085</u>
Total Capital Assets Being Depreciated	<u>592,639</u>	<u>953,902</u>	<u>1,546,541</u>
Less: Accumulated depreciation for:			
Leasehold improvements	237,713	44,824	282,537
Building and improvements	-	5,562	5,562
Furniture and equipment	40,692	1,175	41,867
Vehicle	<u>54,620</u>	<u>24,446</u>	<u>79,066</u>
Total Accumulated Depreciation	<u>333,025</u>	<u>76,007</u>	<u>409,032</u>
Net Capital Assets	<u>\$259,614</u>	<u>\$877,895</u>	<u>\$1,137,509</u>

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 2.24% to 4.75%. In fiscal year 2017, the Collaborative purchased a new vehicle as well as property located in Marlborough, MA that they had previously been leasing. As of June 30, 2017, the remaining balance on the loans was \$731,715.

Future maturities of debt are as follows:

<u>Fiscal</u>	
2018	\$ 53,419
2019	44,705
2020	39,693
2021	38,180
2022	40,060
2023-2027	231,834
2028-2032	<u>283,824</u>
	<u>\$731,715</u>

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, 2017 is equal to the Unassigned General Fund Balance of \$1,940,241. 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 \$3,208,206, in cumulative surplus.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

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

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
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 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. During fiscal year 2017, the Collaborative's contributions on behalf of employees totaled \$88,632.

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

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, 2016 and was \$3,653,558 and \$10,938,585 under MSERS and MTRS, respectively. In fiscal year 2017, the Collaborative recognized revenue and related expense of \$507,399 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal year 2017, the Collaborative recognized revenue and related expense of \$1,115,807, (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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

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	\$148,569
Shrewsbury – High School	Evolution Program	\$ 39,427
Algonquin Regional High School	REACH Classroom	\$ 4,000
Southborough – Trottier Middle School	REACH Classroom	\$ 4,000

The Collaborative also rented property from a third-party for central office space in Marlborough. This property was purchased by the Collaborative in fiscal year 2017. Rent expense for real property leases totaled \$202,496 for the fiscal year ended June 30, 2017.

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, 2017:

Fiscal year-end	Amount
2018	\$ 200,138
2019	196,363
2020	182,457
2021	160,816
2022	164,032
2023-2027	870,703
2028-2032	961,327
2033-2037	1,061,383
2038-2042	<u>225,181</u>
Total	<u>\$4,022,400</u>

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, 2017.

Fiscal year-end	Amount
2018	\$11,910
2019	11,910
2020	<u>3,949</u>
Total Minimum Lease Payments	<u>\$27,769</u>

Rent expense for operating equipment leases for fiscal 2017 totaled \$11,149.

NOTE H - OTHER POSTEMPLOYMENT BENEFITS

Plan 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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (continued)

Funding Policy

The contribution requirements of the plan members and the Collaborative are established pursuant to applicable employment contracts. Required contributions are based on project pay-as-you-go financing. The cost of administering the plan is paid by the Collaborative. The Collaborative provided required contributions of \$23,299 toward the annual Other Postemployment Benefit (OPEB) cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions.

Annual OPEB Cost and Net OPEB Obligation

The Collaborative's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Collaborative has engaged an actuary to calculate the ARC and related information. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

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 and changes in the Collaborative's net OPEB obligation to the plan at June 30, 2017:

Annual OPEB Cost and Net OPEB Obligation

Discount rate	4.0
Annual Required Contributions	\$ 673,897
Interest on Net OPEB Obligation	95,012
Adjustment to annual required contribution	<u>(85,258)</u>
Annual OPEB cost (expense)	683,651
Expected Employer contributions (including subsidy)	<u>23,018</u>
Change in Net Obligation	660,633
Net OPEB Obligation (Asset) – beginning of year	<u>2,375,296</u>
Net OPEB Obligation (Asset) – end of year	<u>\$3,035,929</u>

The Collaborative's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the total net OPEB obligation as of June 30, 2017 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of	
		Annual OPEB Cost	
		Contributed	Obligation
6/30/17	\$683,651	0%	\$3,035,929

Funded Status and Funding Progress

As of July 1, 2014, the most recent valuation date, the actual accrued liability for benefits was \$4,095,519, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial liability of \$4,095,519. The schedule of Annual OPEB Cost and Net OPEB Obligation has not been adjusted to reflect the contribution to the OPEB trust during the year ended June 30, 2017 as those amounts were not factored into the actuarial calculation.

The projection of future benefit payments for an ongoing plan involves 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 annual required 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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2017

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each evaluation and this historical pattern of sharing of benefit costs include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The Collaborative's OPEB actuarial valuation as of July 1, 2014 used the projected unit credit actuarial method to estimate both the unfunded actuarial liability as of June 30, 2014 and to estimate the Collaborative's Fiscal Year 2017 annual required contribution. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00 percent rate of return on invested assets. The actuarial assumptions also include an expected payroll growth of 4.50 percent, and an annual health care cost trend rate of 8 percent for medical and dental costs for Fiscal Year 2017. The medical cost rate is reduced to a final cost rate of 5 percent for both medical and dental costs in fiscal year 2017. The unfunded actuarial accrued liability is being amortized at 3.5 percent per year over 30 years at transition. The remaining amortization period at July 1, 2014 is 25 years.

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.

The Collaborative has employment contracts with members of management. The contracts expire on various dates from June 30, 2017 to June 30, 2019.

NOTE K - SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through November 14, 2017, which is the date the financial statements were available to be issued.

Assabet Valley Collaborative

Required Supplementary Information

June 30, 2017

Assabet Valley Collaborative
Statements of Revenues, Expenditures and Changes in Fund Balances
of the General Fund - Budget to Actual - Budgetary Basis
For the Year Ended June 30, 2017

	Original & Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:			
Member assessments	\$ 66,000	\$ 66,000	\$ -
Professional development	134,124	137,330	3,206
Multiple handicapped (REACH/Crossroads)	752,954	679,191	(73,763)
OT/PT/Therapies/Contract services	516,887	459,816	(57,071)
Transportation	5,746,125	6,039,046	292,921
Alternative programs (AVCAS)	3,137,438	2,943,583	(193,855)
Vocational program (Evolution)	1,348,870	1,331,344	(17,526)
Family success partnership (FSP)	347,433	365,715	18,282
Other programs	-	11,341	11,341
Intergovernmental revenue*	-	1,623,206	1,623,206
Interest	-	8,062	8,062
Other	-	13,508	13,508
Total Revenues	12,049,831	13,678,142	1,628,311
Expenditures:			
Administration	889,325	854,404	34,921
Professional development	121,931	153,553	(31,622)
Multiple handicapped (REACH/Crossroads)	853,362	831,671	21,691
OT/PT/Therapies/Contract services	480,227	507,351	(27,124)
Transportation	5,037,794	5,268,215	(230,421)
Alternative programs (AVCAS)	3,126,719	3,016,941	109,778
Vocational program (Evolution)	1,613,978	1,503,214	110,764
Family success partnership (FSP)	397,513	403,478	(5,965)
Other	-	24,177	(24,177)
Intergovernmental expense*	-	1,623,206	(1,623,206)
Capital outlay, net of debt incurred	-	221,141	(221,141)
Debt Service:			
Debt principal	-	42,093	(42,093)
Debt interest	-	6,585	(6,585)
Total Expenditures	12,520,849	14,456,029	(1,935,180)
Excess (Deficiency) of Revenues Over (Under)			
Expenditures	(471,018)	(777,887)	(306,869)
Other Financing Sources			
Transfer to OPEB Trust	(25,000)	-	25,000
Excess (Deficiency) of Revenue and Other Financing			
Sources Over (Under) Expenditures	\$ (496,018)	\$ (777,887)	\$ (281,869)

*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.

See independent auditor's report.

Assabet Valley Collaborative
Schedule of Funding Progress of Other Postemployment Benefits
June 30, 2017

Actual Valuation Date	Value of Assets (a)	Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
7/1/2017	\$ - *	\$ 4,716,018	\$ 4,716,018	0.00%
7/1/2016	\$ - *	\$ 4,095,519	\$ 4,095,519	0.00%
7/1/2015	\$ -	\$ 3,510,366	\$ 3,510,366	0.00%
7/1/2014	\$ -	\$ 2,524,683	\$ 2,524,683	0.00%
7/1/2013	\$ -	\$ 2,127,772	\$ 2,127,772	0.00%

* Does not include a transfer made by the Collaborative to the OPEB Trust Fund during the year ended June 30, 2016 or interest received on those funds.

Assabet Valley Collaborative
Schedule of the Collaborative's Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2017

		<u>MTRS</u>	<u>MSERS</u>
Collaborative's proportion of net pension liability	FY2015	0.04561%	0.02466%
	FY2016	0.04893%	0.02650%
Collaborative's proportionate share of net pension liability	FY2015	\$ 9,345,520	\$ 2,806,546
	FY2016	\$ 10,938,585	\$ 3,653,558
Collaborative's covered-employee payroll	FY2015	\$ 2,891,227	\$ 1,349,422
	FY2016	\$ 3,218,268	\$ 1,475,832
Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll	FY2015	323.24%	207.98%
	FY2016	339.89%	247.56%
Plan fiduciary net position as a percentage of the total pension liability	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%

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, 2016.

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, 2017

	<u>MTRS</u>	<u>MSERS</u>
<u>Fiscal 2015</u>		
Contractually required contribution	\$ -	\$ 75,568
Contributions in relation to the contractually required contribution	\$ -	\$ 75,568
Contribution deficiency (excess)	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 2,891,227	\$ 1,349,429
Contributions as a percentage of covered-employee payroll	0.00%	5.60%

<u>Fiscal 2016</u>		
Contractually required contribution	\$ -	\$ 82,647
Contributions in relation to the contractually required contribution	\$ -	\$ 82,647
Contribution deficiency (excess)	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 3,218,268	\$ 1,475,839
Contributions as a percentage of covered-employee payroll	0.00%	5.60%

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, 2016.

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, 2017

Assabet Valley Collaborative
Statement of Revenues and Expenditures and Changes in Fund Balance by Program
For the Year Ended June 30, 2017

	Multi Handicapped REACH	Transportation	Professional Development	Student Exchange	Alternative HS	Consultation Services	Vocational Evolution	Family Success Partnership	Evolution Gift
Revenues									
Programs	\$ 679,191	\$ 6,039,046	\$ 137,330	\$ -	\$ 2,943,583	\$ 459,816	\$ 1,331,344	\$ 365,715	\$ -
Federal and state grants	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-
Total Revenues	679,191	6,039,046	137,330	-	2,943,583	459,816	1,331,344	365,715	-
Expenditures									
Salaries	375,230	45,161	57,344	-	1,978,558	151,393	972,410	318,019	-
Therapy	108,320	-	-	-	138,803	258,054	113,971	-	-
Other contracted services	6,427	-	69,306	-	71,793	2,144	8,125	632	-
Transportation	-	5,212,114	-	-	4,279	15,733	56,354	-	-
Supplies	4,600	-	-	-	33,118	758	11,319	1,182	-
Retirement	8,815	2,529	-	-	21,797	10,629	26,186	3,335	-
Medicare	8,766	570	402	-	31,058	5,578	14,778	4,149	-
Travel	2,769	21	2,844	-	2,501	4,909	6,119	7,634	-
Medical insurance	103,497	6,989	-	-	202,824	58,687	189,441	53,536	-
Medical services	189,974	-	-	-	166,851	-	60,602	-	-
Rent	8,000	-	-	-	148,891	-	42,427	-	-
Maintenance	-	-	-	-	43,901	-	240	2,206	-
Membership & subscriptions	408	200	-	-	1,743	475	1,019	-	-
Telephone & utilities	9,501	631	5,143	-	102,193	6,145	16,967	-	-
Equipment	4,894	-	-	-	32,461	5,630	5,135	11,904	-
Misc. services	470	-	548	-	36,170	-	1,578	881	18
Professional development	-	-	17,966	-	-	-	-	-	-
Total Expenditures	831,671	5,268,215	153,553	-	3,016,941	520,135	1,526,671	403,478	18
Revenues (over) under expenditures before transfers	(152,480)	770,831	(16,223)	-	(73,358)	(60,319)	(195,327)	(37,763)	(18)
Other financing sources (uses):									
Operating transfers out	(80,945)	(512,748)	-	-	(293,634)	(50,624)	(148,589)	-	-
Net change in fund balances	(233,425)	258,083	(16,223)	-	(366,992)	(110,943)	(343,916)	(37,763)	(18)
Fund Balances - Beginning of Year	933,395	1,367,884	(23,533)	1,168	135,909	(81,408)	(597,128)	(3,131)	18
Fund Balances - End of Year	\$ 699,970	\$ 1,625,967	\$ (39,756)	\$ 1,168	\$ (231,083)	\$ (192,351)	\$ (941,044)	\$ (40,894)	\$ -

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, 2017

	Building		Insurance	MOEC	Evolution	Program	CF Adams	CF Adams	Peer		Total
	Use	Revolving	Revolving	Revolving	Event Club	Improve	Trust	Review	Grant	Programs	
Revenues											
Programs	\$	-	\$ 2,815	\$ -	\$ 429	\$ 1,595	\$ -	\$ -	\$ -	\$3,002	\$11,963,866
Federal and state grants		-	-	-	-	-	-	-	-	3,500	3,500
Other revenue		-	-	1,992	-	-	-	-	-	-	1,992
Total Revenues		-	2,815	1,992	429	1,595	-	-	-	6,502	11,969,358
Expenditures											
Salaries		-	400	-	-	-	-	-	-	-	3,898,515
Therapy		-	-	-	-	-	-	-	-	-	619,148
Other contracted services		-	3,526	-	-	1,599	-	-	12,300	4,850	180,702
Transportation		-	-	1,992	-	-	-	-	-	-	5,290,472
Supplies	224	-	-	-	318	-	-	-	-	155	51,674
Retirement		-	-	-	-	-	-	-	-	-	73,291
Medicare		-	6	-	-	-	-	-	-	-	65,307
Travel		-	-	-	-	-	-	-	-	-	26,797
Medical insurance		-	-	-	-	-	-	-	-	-	614,974
Medical services		-	-	-	-	-	-	-	-	-	417,427
Rent		-	-	-	-	-	-	-	-	-	199,318
Maintenance		-	-	-	-	-	-	-	-	-	46,347
Membership & subscriptions		-	-	-	-	-	-	-	-	-	3,845
Telephone & utilities		-	-	-	-	-	-	-	-	-	140,580
Equipment		-	-	-	-	-	-	-	-	-	60,024
Misc. services		-	125	-	-	-	-	-	-	164	39,954
Professional development		-	-	-	-	-	-	-	-	-	17,966
Total Expenditures		224	4,057	1,992	-	1,917	-	-	12,300	5,169	11,746,341
Revenues (over) under expenditures before transfers		(224)	(1,242)	-	429	(322)	-	-	(12,300)	1,333	223,017
Other financing sources (uses):											
Operating transfers out		-	-	-	-	-	-	-	-	-	(1,086,540)
Net change in fund balances		(224)	(1,242)	-	429	(322)	-	-	(12,300)	1,333	(863,523)
Fund Balances - Beginning of Year		429	7,378	(18,626)	(4)	1,843	32,634	(3,460)	13,862	912	1,768,142
Fund Balances - End of Year	\$	205	\$ 6,136	\$ (18,626)	\$ 425	\$ 1,521	\$ 32,634	\$ (3,460)	\$ 1,562	\$2,245	\$ 904,619

See independent auditor's report.

Assabet Valley Collaborative
Schedule of Treasurer's Cash
June 30, 2017

COMPOSITION OF CASH AT YEAR END:

Governmental fund cash is comprised of:

Avidia Bank (2 accounts)	Interest Bearing	\$ 1,097,668
Avidia Bank (2 accounts)	Non-Interest Bearing	26,520
Marlborough Savings Bank (1 account)	Interest Bearing	601,410
Marlborough Savings Bank (1 account)	Non-Interest Bearing	<u>6,247</u>
Total governmental fund cash		<u><u>\$ 1,731,845</u></u>

Fiduciary fund cash is comprised of:

Avidia Bank (1 account)	Interest Bearing	<u>\$ 50,104</u>
Total fiduciary fund cash		<u><u>\$ 50,104</u></u>

See independent auditor's report.

Assabet Valley Collaborative
Information Required by MGL Chapter 40
For the Year Ended June 30, 2017

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:

<u>Name and Title</u>	<u>Total Compensation</u>
K. Kusiak, Consulting Psychiatrist	\$ 154,963
C. Cummins, Executive Director	\$ 152,416
A. Mahan, Assistant Executive Director of Finance	\$ 116,000
K. Laskey, Director of Satellite Programs	\$ 105,000
S. Van der Swaagh, Co-Director of Therapeutic Programs	\$ 103,726

The amounts expended on administration and overhead:

Administration and overhead \$ 854,404

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

Annual determination and disclosure of cumulative surplus:

				Page(s) in financial statements
<u>Cumulative Surplus Calculation - FY17</u>				
(A)	Voted Cumulative Surplus as of 6/30/16	\$ 2,718,128	(A)	<u>p. 12</u>
(B)	1 Amount of (A) used to support the FY17 Budget	\$ 777,887	(B)1	
	2 Amount of (A) returned to member districts	\$ -	(B)2	
	(B)1 + (B)2 = (B)	<u>\$ 777,887</u>	(B)	
(C)	Unexpended FY17 General Funds	\$ -	(C)	<u>p. 12</u>
(D)	Cumulative Surplus as of 6/30/17 (A) - (B) + (C) = (D)	<u>\$ 1,940,241</u>	(D)	
(E)	FY17 Total General Fund Expenditures*	\$ 12,832,823	(E)	<u>p. 12</u>
(F)	Cumulative Surplus Percentage (D) ÷ (E)	<u>15%</u>	(F)	

* Excludes Intergovernmental expense

See independent auditor's report.



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, 2017, 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 14, 2017.

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.

Purpose of this Report

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

A handwritten signature in black ink, reading "Fritz DeGuglielmo" followed by a stylized flourish.

Certified Public Accountants

Newburyport, Massachusetts

November 14, 2017



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

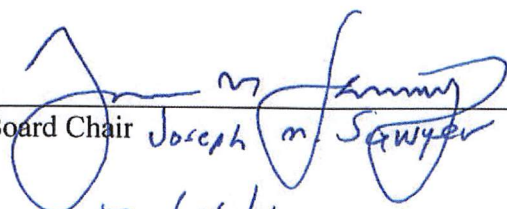
Offering the following
programs:

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, 2017.

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, 2017.


Board Chair Joseph M. Sawyer
12/4/17
Date