# ACCEPT EDUCATION COLLABORATIVE

## BASIC FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2016

**(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

**ACCEPT EDUCATION COLLABORATIVE**
**FINANCIAL STATEMENTS**
**JUNE 30, 2016**

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# ACCEPT EDUCATION COLLABORATIVE
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# YEAR ENDED JUNE 30, 2016

The following discussion and analysis of the ACCEPT Education Collaborative's (ACCEPT, the Collaborative) financial performance provides an overall review of ACCEPT'S financial activities for the current fiscal year, with comparative information for the prior year. The intent of this discussion and analysis is to examine ACCEPT's financial performance during FY2016. Readers are encouraged to review the independent auditors' report for a more detailed review of ACCEPT'S financial performance.

## ABOUT ACCEPT EDUCATION COLLABORATIVE

**Mission**: To use the collective power of member school districts to provide programs and services that maximize the potential of students, their families, educators and communities.

- We anticipate and respond to evolving educational needs with innovative, forward-thinking, high-quality, best-in-class programs and services.
- We complement and extend in-district options by leveraging our expertise, utilizing economies of scale, and building strength through collaboration.

**Guiding Principles:**

- Respect for diversity and human differences
- Best teaching practices
- Continuous improvement
- Open and honest communication
- Integrity

Since 1974, ACCEPT has provided excellence and innovation in educational practice for school districts in MetroWest Boston. ACCEPT is a non-profit educational organization focused on serving the needs of unique learners and is supported by fee-for-service activities. The Collaborative is governed by the superintendents of the sixteen member school districts and an appointed representative of the Commissioner of Elementary and Secondary Education. Member school districts include: Ashland, Dover, Dover/Sherborn Regional, Framingham, Franklin, Holliston, Hopkinton, Medfield, Medway, Millis, Natick, Needham, Sherborn, South Middlesex Vocational Technical School, Sudbury and Wellesley.

Headquartered in Natick, Massachusetts ACCEPT has established trusted partnerships with member districts. Our strength comes from sharing expertise and ideas across districts and realizing cost-savings through collaboration and shared resources. ACCEPT is flexible and adaptable and responds quickly to the individual needs of member districts with new programs and services; the ACCEPT Advantage.

Current programs and services include: Special Education Programs, Specialized Transportation Services, Home-based Services, Consultation Services, Medicaid Reimbursement Services, Educational Technology Services, and Professional Development.

ACCEPT is organized according to Massachusetts General Law Chapter 40, Section 4e. It has 501(c)(3) status for tax purposes under federal regulations for non-profit organizations. .

Job-alike advisory groups comprised of district leaders in Special Education, Technology, Curriculum, and Business Operations provide input into the development and implementation of ACCEPT programs and services. Fiscal challenges and budget shortfalls are perennial challenges for school districts in Massachusetts. With annual costs rising faster than revenues, schools, districts, and municipalities continue to value opportunities to stretch dollars, better meet the needs of their special education populations, and take advantage of and learn about new technologies, proven education practices, and cost-savings opportunities that keep districts laser-focused on maximizing their investments in student learning and growth.

A key differentiator between Massachusetts educational Collaboratives and their member districts is the manner in which budgets are developed and funding is available. Under Massachusetts law, school committees must adopt an annual budget, funded by local tax assessments. Once adopted, the district must operate within the constraints of the budget; extraordinary circumstances resulting in the need for additional funding require further approval.

ACCEPT's budget is approved by the Board of Directors and is based on projected revenues and expenses. Tuitions, fees, and other assessments must be established recognizing revenues and expenses will vary throughout the year as the number of students enrolled and services purchased changes. Keen and routine oversight is necessary to ensure that changes in expense are balanced by proportional changes in revenue. Conservative fiscal planning and effective program management are ACCEPT cornerstones and have resulted in a positive financial outcome over each of the past several fiscal years.

## OVERVIEW OF FINANCIAL REPORTS

This overview is intended to serve as an introduction to the Collaborative's financial reports, which consist of a series of financial statements and other information as follows:

***Management's Discussion and Analysis*** introduces the basic financial statements and provides an analytical overview of the Collaborative's financial activities.

***Government-wide financial statements*** consist of the Statement of Net Position and the Statement of Activities. These provide both short-term and long-term information about the Collaborative's overall financial status.

***Fund basis financial statements*** focus on individual parts of the Collaborative, reporting the Collaborative's operations in more detail than the government-wide statements. The *governmental funds statements* tell how basic services were financed in the short-term as well as what remains for future spending. *The fiduciary fund statements* report the activity and net position of OPEB trust funds restricted for postemployment healthcare benefits.

***Notes to the financial statements*** explain some of the information in the statements and provide more detailed data.

***Supplementary information*** includes both additional financial information which provides more detail support of the basic financial statements and information required by the Massachusetts Department of Elementary and Secondary Education.

**Government-Wide Financial Statements**

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

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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Collaborative is improving or deteriorating.

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

**Fund Financial Statements**

A fund is a grouping of related accounts or a single account that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds are governmental funds.

***Governmental Funds***

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balance* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Fiduciary Funds***
Fiduciary funds are used to account for trust funds restricted for postemployment healthcare benefits.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As indicated in the following summarized comparative *Statement of Activities*, net position increased by $95,172 during the current fiscal year. Revenues increased from the prior year due to an increase in student enrollments. Expenses increased due to increased costs of providing services.

| | FY2016 | FY2015 | % Change |
|---|---|---|---|
| Student Services Revenue | $ 13,724,982 | $ 13,100,465 | |
| Governmental Revenues (In-Kind) | 884,509 | 391,226 | |
| Grant Income | 204,771 | 181,687 | |
| Other Income | 6,546 | 9,654 | |
| Total Revenue | 14,820,808 | 13,683,032 | 8% |
| | | | |
| Student Services Expense | 13,044,157 | 11,899,527 | |
| Governmental Expenses (In-Kind) | 884,509 | 391,226 | |
| Grant Expenses | 198,962 | 181,569 | |
| Administrative Expenses | 110,911 | 206,541 | |
| Depreciation Expense | 487,097 | 603,739 | |
| Total Expenses | 14,725,636 | 13,282,602 | 11% |
| Change in Net Position | $ 95,172 | $ 400,430 | |

The following *Statement of Net Position* is for the fiscal year ending June 30, 2016 with comparative information from fiscal year 2015.

| ASSETS | 2016 | 2015 | INCREASE (DECREASE) |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | $ 2,358,870 | $ 3,029,844 | $ (670,974) |
| Accounts Receivable, Net | 2,060,981 | 1,933,731 | 127,250 |
| Prepaid Expenses | 3,119 | 11,894 | (8,775) |
| Security Deposits | 11,639 | 11,639 | - |
| Total Current Assets | 4,434,609 | 4,987,108 | (552,499) |
| CAPITAL ASSETS | | | |
| Furniture and Equipment | 143,158 | 113,758 | 29,400 |
| Vehicles | 3,236,789 | 3,002,819 | 233,970 |
| Less: Accumulated Depreciation | (2,404,379) | (1,917,282) | (487,097) |
| Net Capital Assets | 975,568 | 1,199,295 | (223,727) |
| Total Assets | 5,410,177 | 6,186,403 | (776,226) |
| | | | |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | 96,596 | 196,312 | (99,716) |
| Accrued Payroll and Fringe Benefits | 569,420 | 476,268 | 93,152 |
| Current Portion of Notes Payable | 145,014 | 419,736 | (274,722) |
| Amounts Due Members | - | 475,000 | (475,000) |
| Deferred Revenue | 435,071 | 207,867 | 227,204 |
| Total Current Liabilities | 1,246,101 | 1,775,183 | (529,082) |
| | | | |
| NONCURRENT LIABILITIES | | | |
| Accrued OPEB Expense | 451,366 | 648,663 | (197,297) |
| Long Term Portion of Notes Payable | 10,430 | 155,449 | (145,019) |
| Total Noncurrent Liabilities | 461,796 | 804,112 | (342,316) |
| Total Liabilities | 1,707,897 | 2,579,295 | (871,398) |
| | | | |
| NET POSITION | | | |
| Reserved for Capital | 499,100 | - | 499,100 |
| Unrestricted | 3,185,069 | 3,590,264 | (405,195) |
| Restricted | 18,111 | 16,844 | 1,267 |
| Total Net Position | 3,702,280 | 3,607,108 | 95,172 |
| Total Liabilities and Net Position | $ 5,410,177 | $ 6,186,403 | (776,226) |

The assets of the Collaborative exceeded its liabilities at June 30, 2016 by $3,702,280 (net position).

The Collaborative's net position increased by $95,172 (2.6%) during the year. This increase was the result of an increase in program revenue in excess of increased expenses.

The Collaborative's total assets decreased in 2016 versus 2015 by $776,226 (-12.5%). This was caused primarily by the decrease in cash and increase in accumulated depreciation. During FY16, ACCEPT acquired new vehicles for student transportation and cameras for vans. This increase of $263,370 is offset by depreciation expense of

$487,097. Loan commitments for the vehicles are described in the footnotes to the financial statements.

Total liabilities decreased primarily due to payments on notes payable, funding of the OPEB liability, and decrease in the amounts due members.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2016 was based on the assumption that enrollments would increase and the related costs of service provision would increase, i.e. pay rate and fringe benefit increases and the cost of transportation services. Actual results were more favorable than the budget due to:

- Increased enrollment beyond expectations
- Increase in costs for program and transportation services

## REQUESTS FOR INFORMATION

This financial report is designed to provide users with a general overview of the Collaborative's purpose and financial position. Questions about the report or requests for additional information may be directed to the Executive Director, ACCEPT Education Collaborative, 220 N. Main Street, Natick MA 01760.

By: Marcia J. Berkowitz, Ed.M, M.Ed.

Marcia J. Berkowitz, Ed.M, M.Ed.
Executive Director
ACCEPT Education Collaborative

Bruce D. Norling, CPA, P.C.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ACCEPT Education Collaborative
Natick, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ACCEPT Education Collaborative (the Collaborative) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**
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 the Collaborative as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally


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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; schedule of revenues, expenditures and changes in fund balances – budget and actual – general fund; retiree health plan funding progress; schedule of the Collaborative's proportionate share of the net pension liability; and schedule of pension contributions on pages 1 through 6 and pages 32 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 Collaborative's basic financial statements. The supplementary Information Required by MGL Chapter 40 Section 4E on page 36 is presented for purposes of additional analysis and is not a required part of the financial statements. This supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative's internal control over financial reporting and compliance.

*Bruce D. Norling, CPA, P.C.*

December 14, 2016

**ACCEPT EDUCATION COLLABORATIVE**
**STATEMENT OF NET POSITION**
**JUNE 30, 2016**

| | | Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | $ | 2,358,870 |
| Accounts Receivable | | 2,060,981 |
| Prepaid Expenses | | 3,119 |
| Security Deposits | | 11,639 |
| Total Current Assets | | 4,434,609 |
| CAPITAL ASSETS | | |
| Furniture and Equipment | | 143,158 |
| Vehicles | | 3,236,789 |
| Less: Accumulated Depreciation | | (2,404,379) |
| Net Capital Assets | | 975,568 |
| Total Assets | | 5,410,177 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | | 96,596 |
| Accrued Payroll and Fringe Benefits | | 569,420 |
| Current Portion of Notes Payable | | 145,014 |
| Deferred Revenue | | 435,071 |
| Total Current Liabilities | | 1,246,101 |
| NONCURRENT LIABILITIES | | |
| Accrued OPEB Expense | | 451,366 |
| Long Term Portion of Notes Payable | | 10,430 |
| Total Noncurrent Liabilities | | 461,796 |
| Total Liabilities | | 1,707,897 |
| **NET POSITION** | | |
| Reserved for Capital | | 499,100 |
| Unrestricted | | 3,185,069 |
| Restricted | | 18,111 |
| Total Net Position | $ | 3,702,280 |

See accompanying notes to financial statements.

**ACCEPT EDUCATION COLLABORATIVE**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2016**

| | | Program Revenue | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| **FUNCTIONS / PROGRAMS** | | | | |
| Governmental Activities | | | | |
| Administration | 110,911 | - | - | (110,911) |
| Regular, Therapy, and Other Programs | 5,373,339 | 5,176,452 | - | (196,887) |
| Summer Programs | 524,061 | 654,483 | - | 130,422 |
| Home-based Services and Consultation | 570,685 | 1,019,378 | - | 448,693 |
| Transportation | 7,023,144 | 6,172,417 | - | (850,727) |
| Professional Development Programs | 543,161 | 229,932 | - | (313,229) |
| Medicaid Reimbursement Services | 188,619 | 220,560 | - | 31,941 |
| Technology Initiative | 189,740 | - | 194,300 | 4,560 |
| Grant Expenses | 198,962 | - | 204,771 | 5,809 |
| Gifts and Other | 3,014 | - | 4,250 | 1,236 |
| Total Governmental Activities | 14,725,636 | 13,473,222 | 403,321 | (849,093) |
| General revenues: | | | | |
| Membership dues | | | | 57,460 |
| Governmental Revenues (In-Kind) | | | | 884,509 |
| Investment earnings | | | | 2,296 |
| Total general revenues | | | | 944,265 |
| **CHANGE IN NET POSITION** | | | | 95,172 |
| **NET POSITION, Beginning of Year** | | | | 3,607,108 |
| **NET POSITION, End of Year** | | | | 3,702,280 |

See accompanying notes to financial statements.

**ACCEPT EDUCATION COLLABORATIVE**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2016**

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 2,358,870 | $ - | $ 2,358,870 |
| Accounts Receivable, Net | 2,060,981 | - | 2,060,981 |
| Prepaid Expenses | 3,119 | - | 3,119 |
| Security Deposits | 11,639 | - | 11,639 |
| Total Assets | 4,434,609 | - | 4,434,609 |
| **LIABILITIES AND FUND BALANCES** | | | |
| LIABILITIES | | | |
| Accounts Payable | $ 96,596 | $ - | $ 96,596 |
| Accrued Payroll and Fringe Benefits | 569,420 | - | 569,420 |
| Deferred Revenue | 435,071 | - | 435,071 |
| Total Liabilities | 1,101,087 | - | 1,101,087 |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | 18,111 | - | 18,111 |
| Committed | 499,100 | - | 499,100 |
| Assigned | - | - | - |
| Unassigned | 2,816,311 | - | 2,816,311 |
| | | | - |
| Total Fund Balances | 3,333,522 | | 3,333,522 |
| Total Liabilities and Fund Balances | $ 4,434,609 | $ - | $ 4,434,609 |

See accompanying notes to financial statements.

**ACCEPT EDUCATION COLLABORATIVE**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**
**TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2016**

| | |
|---|---|
| Total fund balance, governmental funds | $ 3,333,522 |
| Amounts reported for governmental activities in Statement of Net Position are different because: | |
| Capital assets, net of accumulated depreciation, 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. | 975,568 |
| Certain liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. | |
| Notes Payable | (155,444) |
| Accrued OPEB Expense | (451,366) |
| Net Position of Governmental Activities | $ 3,702,280 |

**ACCEPT EDUCATION COLLABORATIVE**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2016**

| | General Fund | Nonmajor Funds | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Administration - Membership and Other Fees | $ 57,460 | | 57,460 |
| Tuition and Therapy | | | |
| Regular Programs Tuition - School Year | 4,818,628 | | 4,818,628 |
| Speech Therapy Tuition - Collaborative Students | 47,584 | | 47,584 |
| Occupational Therapy Tuition - Collaborative Studer | 42,066 | | 42,066 |
| Physical Therapy Tuition - Collaborative Students | 33,923 | | 33,923 |
| Other Therapy Tuition - Collaborative Students | 234,251 | | 234,251 |
| Subtotal, Tuition and Therapy | 5,176,452 | | 5,176,452 |
| Summer Programs Tuition | 654,483 | | 654,483 |
| Home-based Services and Consultation | 1,019,378 | | 1,019,378 |
| Transportation | 6,172,417 | | 6,172,417 |
| Professional Development Programs | 229,932 | | 229,932 |
| Medicaid Reimbursement Services | 220,560 | | 220,560 |
| Technology Initiative | 194,300 | | 194,300 |
| Grant Revenues | 204,771 | | 204,771 |
| Governmental Revenues (In-Kind) | 884,509 | | 884,509 |
| Gifts and Other | 4,250 | | 4,250 |
| Investment Income | 2,296 | | 2,296 |
| **Total Revenues** | 14,820,808 | - | 14,820,808 |
| **EXPENDITURES** | | | |
| Administration | 110,911 | | 110,911 |
| Regular, Therapy, and Other Programs - School Year | 5,570,636 | | 5,570,636 |
| Summer Programs | 524,061 | | 524,061 |
| Home-based Services and Consultation | 570,685 | | 570,685 |
| Transportation | 7,219,158 | | 7,219,158 |
| Professional Development Programs | 543,161 | | 543,161 |
| Medicaid Reimbursement Services | 188,619 | | 188,619 |
| Technology Initiative | 189,740 | | 189,740 |
| Grant Expenses | 198,962 | | 198,962 |
| Gifts and Other | 3,014 | | 3,014 |
| **Total Expenditures** | 15,118,947 | - | 15,118,947 |
| **Excess of Revenues over Expenditures** | (298,139) | - | (298,139) |
| **Net Change in Fund Balances** | (298,139) | - | (298,139) |
| **FUND BALANCE, Beginning of Year** | 3,631,661 | | 3,631,661 |
| **FUND BALANCE, End of Year** | $ 3,333,522 | - | 3,333,522 |

See accompanying notes to financial statements.

**ACCEPT EDUCATION COLLABORATIVE**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2016**

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds: | $ | (298,139) |
| Amounts reported for Governmental Activities in Statement of Activities are different because: | | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contract, the Statement of Activities reports only a portion of the outlay as expenses. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. | | |
| This is the amount by which capital outlays ($263,370) were exceeded by depreciation ($487,097) in the current period. | | (223,727) |
| 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. | | |
| This is the amount of debt principal payments in the current period. | | 419,741 |
| Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. | | - |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | | |
| Decrease in OPEB liability not reflected on Governmental funds | | 197,297 |
| Change in net position of governmental activities | $ | 95,172 |

See accompanying notes to the financial statements

**ACCEPT EDUCATION COLLABORATIVE**
**FIDUCIARY FUNDS**
**OPEB TRUST**
**STATEMENT OF FIDUCIARY NET POSITION**
**JUNE 30, 2016**

| | | Trust Funds |
|---|---|---|
| **ASSETS** | | |
| Investments (at Fair Value) | | |
| Money Market | $ | 1,685 |
| Mutual Funds: Equities | | 209,879 |
| Mutual Funds: Fixed Income | | 152,457 |
| Total Investments, at fair value | | 364,021 |
| Total Assets | | 364,021 |
| **LIABILITIES** | | |
| Accrued Expenses | | - |
| Total Liabilities | | - |
| **NET POSITION** | | |
| Restricted for Postemployment Healthcare Benefits | | 364,021 |
| Total Net Position | $ | 364,021 |

See accompanying notes to financial statements.

**ACCEPT EDUCATION COLLABORATIVE**
**FIDUCIARY FUNDS**
**OPEB TRUST**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**
**YEAR ENDED JUNE 30, 2016**

| | | Trust Funds |
|---|---|---|
| **ADDITIONS:** | | |
| Employer Contributions | $ | 360,000 |
| Dividends | | 237 |
| Unrealized Gain on Investments | | 3,874 |
| Total Additions | | 364,111 |
| **DEDUCTIONS:** | | |
| Account Fees | | 90 |
| Total Deductions | | 90 |
| **INCREASE IN NET POSITION** | | 364,021 |
| **NET POSITION, BEGINNING OF YEAR** | | - |
| **NET POSITION, END OF YEAR** | $ | 364,021 |

See accompanying notes to financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**FINANCIAL REPORTING ENTITY**

Founded in 1974 to promote excellence and innovation in educational practice for school districts in MetroWest, the ACCEPT Education Collaborative (the Collaborative, ACCEPT) is an unincorporated multi-purpose school collaborative formed under the laws of the Commonwealth of Massachusetts. ACCEPT's mission is to use the collective power of member school districts and community resources to provide a wide range of exceptional programs and services that maximize the potential of students, their families, educators and communities. ACCEPT's main source of revenue is derived from fee for services for special education programs, transportation services, home-based services, behavioral and educational consultation, professional development, educational technology services and Medicaid reimbursement claiming services.

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 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.

ACCEPT has fully implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as required by Massachusetts law regarding Collaboratives. This statement requires both government wide and fund financial statements.

The Collaborative has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which establishes guidance for applying standards established in Financial Accounting Standards Board (FASB) statements and interpretations to the preparation of financial statements for proprietary fund activities. In accordance with GASB Statement No. 62, the Collaborative complies with and observes all FASB statements and interpretations that were issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

The Collaborative has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements for pensions also are addressed.

**BASIS OF PRESENTATION**

The financial statements of the Collaborative have been prepared in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Collaborative's basic financial statements include both government-wide and fund financial statements.

The *government-wide financial statements* report information on all activities of the Collaborative on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term obligations. The Collaborative's net position is reported in three parts: reserved for capital, restricted, and unrestricted. Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use. The Collaborative first utilizes restricted resources to finance qualifying activities.

*Fund financial statements* present governmental funds on a measurement basis focusing on sources, uses and balance of current financial resources on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The general fund is the Collaborative's primary operating fund. It accounts for all financial resources of the Collaborative. Fund balances within the general fund are classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. All of ACCEPT's funds are governmental funds.

Following are the governmental fund classifications available to the Collaborative:

*Non-spendable* – includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

*Restricted* – amounts subject to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or due to constitutional provisions or enabling legislation.

*Committed* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

*Assigned* – amounts that are intended to be used for specific purposes but are not considered restricted or committed.

*Unassigned* – is the residual classification for the general fund. It represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Separate financial statements are provided for Fiduciary Funds, which are excluded from government-wide financial statements. Fiduciary funds consist of OPEB trust funds that are restricted for postemployment healthcare benefits.

**REVENUE RECOGNITION**
Revenues are recognized at the time services are provided. Tuition and program fees billed for the next school year are recorded as a deferred liability at June 30 and recognized as revenue in the next fiscal year.

**ACCOUNTS RECEIVABLE**
Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Overdue accounts receivable are not assessed a finance charge.

**CASH AND CASH EQUIVALENTS**
The Collaborative considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**CAPITAL ASSETS**
Purchases of capital assets over $2,500 (with an estimated useful life in excess of one year) are capitalized at cost. A full year of depreciation is taken on vehicles in the year of purchase. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

**USE OF ESTIMATES**
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## 2. CLASSROOM SPACE

The Collaborative receives the use of classroom space from certain members for which either payments are made or credits are allowed the members against billings for services provided to students from their communities. The total value of $138,000 in 2016 for the use of such space has been reflected in program expenses in the accompanying financial statements.

## 3. MEMBERSHIP ASSESSMENTS

Under the terms of their agreement, a portion of the administrative costs of the Collaborative shall be made available by assessing the member towns at a rate to be determined annually by the Collaborative Board. The assessment to each member was $4,000 in 2016. Non-member towns pay higher tuition.

## 4. CAPITAL ASSETS AND DEPRECIATION

The capital asset activity in the statement of net position for the year ended June 30, 2016 is as follows:

| **Capital Assets** | **6/30/15** | **Additions** | **6/30/16** |
|---|---|---|---|
| Furniture & Equipment | 113,758 | 29,400 | 143,158 |
| Vehicles | 3,002,819 | 233,970 | 3,236,789 |
| **Total Cost** | **3,116,577** | **263,370** | **3,379,947** |
| Accumulated Depreciation | 1,917,282 | 487,097 | 2,404,379 |
| **Net Capital Assets** | **1,199,295** | **(223,727)** | **975,568** |

Depreciation expense was $487,097 in 2016. This amount was allocated to transportation expense on the statement of activities.

## 5. TRANSPORTATION FEES AND CHARGES

The Collaborative provides transportation for member district students who attend schools outside their local community. The costs for transportation are billed to the towns whose students are receiving the services.

## 6. PENSION PLANS

The Collaborative sponsors two retirement plans for its employees.

*Massachusetts State Employees' Retirement System*

**Plan Description and Provisions -** Non-teacher personnel participate in the Massachusetts State Employees' Retirement System (MSERS), a cost sharing multiple-employer defined benefit plan established under the Massachusetts Contributory Retirement Law. Benefit provisions and contribution requirements are established by state law. MSERS provides retirement benefits up to a maximum of 80% of a member's highest three-year average annual compensation. Benefit payments are based upon member's age, length of creditable service, level of compensation, and group classification.

Members of the system become fully vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The Plan also provides for early retirement at age 55 if the participant

(1) has a record of 10 years creditable service, (2) was on the Collaborative payroll after January 1, 1978, (3) voluntarily left Collaborative employment on or after that date, and (4) left accumulated annuity deductions in the Fund. The MSERS issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission.

**Contributions**
Plan members are required to contribute to the MSERS at rates ranging from 5% to 11% of their annual covered compensation, on a pre-tax basis. The Collaborative is required to contribute at an actuarially determined rate that is apportioned among employees based on active current payroll. The contribution requirements of plan members are established and may be amended by the MSERS Board of Trustees. The Collaborative's current contribution rate is 5.6%.

| 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 |

**Annual Pension Cost**
The Collaborative's required and actual contributions to MSERS were $119,441. Pension expense to the Commonwealth of Massachusetts for the Collaborative amounted to $496,203. Therefore, $376,762 is reflected as revenues and corresponding expenditures in the Collaborative's financial statements for the portion of the Commonwealth's pension expense not required to be paid by the Collaborative. Collaboratives contribute amounts equal to the normal cost of employees' benefits 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. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the Collaboratives.

*Massachusetts Teachers' Retirement System*

**Plan Description and Provisions**
Teachers and certain administrative personnel participate in the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan administered by the Massachusetts Teachers' Retirement Board. Benefit provisions and contribution requirements are established by state law. Eligibility requirements for participation are as follows:

- The employees must be employed on at least a half-time basis in a contracted professional position within the public school system located in Massachusetts.
- The employee must be certified by the Massachusetts Department of Education for a position which requires certification.

MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Additional information can be obtained on the state website.

**Contributions**
Participation in the plan requires that members contribute a fixed percentage of their compensation each pay period depending upon the date of employment. Employee contributions vest immediately. After 10 years of service, employee benefits become fully vested. After 20 years, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest-salaried years of the employee service and are determined in a manner similar to the provisions of MSERS.

| 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 Collaborative has no obligation to contribute to the MTRS. All pension benefits and expenses paid by the Teachers' Retirement Board to employees of the Collaborative are funded by the Commonwealth of Massachusetts. Pension expense to the Commonwealth of Massachusetts for the Collaborative was $507,747 for fiscal 2016, and this amount is reflected as in-kind governmental revenues and corresponding expenditures in the Collaborative's financial statements.

**Pension Liabilities and Pension Expense**
The Collaborative is considered to be a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth of Massachusetts is a nonemployer contributing entity for MTRS and MSERS. Therefore, the Collaborative is required to disclose, but not record, the portion of the nonemployer contributing entities' share of the collective net pension liability that is associated with the employer.

The Collaborative's proportionate share of the net pension liability was $6,260,071 for MTRS and $4,430,420 for MSERS. For both MSERS and MTRS, the net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liabilities were determined by actuarial valuations as January 1, 2015 rolled forward to June 30, 2015. The Collaborative's proportion of the net pension liability was based on a projection of the Collaborative's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the Collaborative's proportion was 0.0389% for MSERS and 0.0306% for MTRS. As a special funding situation, the Collaborative must recognize its portion of the collective pension expense as both a revenue and pension expense. As indicated above, for the year ended June 30, 2016, the Collaborative recognized in-kind pension expense and revenue of $376,762 (MSERS) and $507,747 (MTRS).

***Actuarial assumptions*** - The total pension liability in the January 1, 2015 actuarial valuations for MSERS and MTRS were determined using the following actuarial assumptions, applied to all periods included in the measurement:

1. (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% (MSERS) and 4.0% to 7.5% (MTRS) depending on group and length of service.
3. Mortality rates were as follows:

   MSERS:
   - Pre-retirement -reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
   - Post-retirement -reflects RP-2000 Healthy Annuitant taUle projected generationally with Scale BB and a base year of 2009 (gender distinct)
   - Disability -the morality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

   MTRS:
   - Pre-retirement -reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
   - Post-retirement -reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
   - Disability -assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years

Investment assets of MSERS and MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 40% | 6.9% |
| Core Fixed Income | 13 | 2.4 |
| Hedge Funds | 9 | 5.8 |
| Private Equity | 10 | 8.5 |
| Real Estate | 10 | 6.5 |
| Value Added Fixed Income | 10 | 5.8 |
| Portfolio Completion Strategies | 4 | 5.5 |
| Timber/Natural Resources | 4 | 6.6 |
| Total | 100% | |

***Discount rate*** - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Collaborative's proportionate share of the net pension liability to changes in the discount rate***. The following presents the Collaborative's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Collaborative's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

| Collaborative's proportionate share of the net pension liability | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| MTRS | $7,775,272 | $6,260,071 | $4,955,900 |
| MSERS | $6,022,395 | $4,430,420 | $3,057,320 |

***Pension plan fiduciary net position*** - The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 55.38% for MTRS and 67.87% for MSERS.

## 7. POST EMPLOYMENT HEALTHCARE BENEFITS

In addition to providing pension benefits, ACCEPT funds 50% of health insurance coverage for retired employees. In the past, ACCEPT had been meeting its obligations on a "pay as you go" basis. Effective July 1, 2009, the Collaborative adopted GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This statement establishes accounting and financial reporting requirements for employers to measure and report the cost and liabilities associated with other (than pension) post employment benefits (or OPEB). It imposes similar accounting rules for health care benefits as those now in place for pension benefits. The Collaborative applied GASB No. 45 on a prospective basis.

*Plan Description* - The Collaborative administers a single-employer defined benefit healthcare plan. The Accept Education Collaborative Postretirement Medical Plan ("the Plan") provides medical insurance benefits to eligible retirees. The Collaborative contributes 50% of the cost of current-year premiums for eligible retired plan members. As of June 30, 2016, eleven retirees meet eligibility requirements. The Plan does not issue a publicly available financial report.

*Funding policy* – The contribution requirement of the plan members and the Collaborative are established and may be amended by the Collaborative's Advisory Board. The annual required contribution was based on projected pay-as-you-go financing requirements. For fiscal year 2016, ACCEPT contributed $33,998 for retiree health insurance costs. Eligible retirees contribute 50% of premium costs. The Collaborative has accrued an amount sufficient to meet the outstanding OPEB obligation. Investments of $364,021 included in the accompanying statement of fiduciary net position have been set aside in an OPEB trust account to fund the OPEB obligation. Fair value for the investments in debt and equity securities is determined by the custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. Investment income includes net appreciation in the fair value of investments, interest and dividend income. Due to the risks associated with investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

*Annual OPEB Cost and Net OPEB Obligation* – The Collaborative's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 unfunded actuarial liabilities (or funding excess) over a period of thirty years. Calculations were based on single employee benefits. The following table shows the components of the Collaborative's annual OPEB cost for the fiscal years 2016 and 2015, the amount actually contributed to the plan, and changes in the Collaborative's net OPEB obligation based on the actuarial valuation as of July 1, 2014 for fiscal year 2015 with rollforward estimated calculations for fiscal year 2016:

| | FY2016 | FY2015 |
|---|---|---|
| Annual required contribution (ARC) | $ 232,766 | $ 190,792 |
| Interest on net OPEB obligation | 38,855 | 29,907 |
| Adjustment to ARC | (74,921) | (55,641) |
| Annual OPEB cost (expense) | 196,701 | 165,058 |
| Contributions made | (33,998) | (15,541) |
| Increase in net OPEB obligation | 162,703 | 149,517 |
| Net OPEB obligation – beginning of year | 648,663 | 499,146 |
| Total OPEB Liability | 811,366 | 648,663 |
| Less: Contributions to OPEB Trust | (360,000) | 0 |
| Net OPEB obligation – end of year | $451,366 | $ 648,663 |

The Collaborative's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation were as follows:

| | Annual OPEB Cost | Percentage Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2016 | 196,701 | 17% | 451,366 |
| June 30, 2015 | 165,058 | 9% | 648,663 |
| June 30, 2014 | 138,155 | 13% | 499,146 |

*Funded Status and Funding Progress* – The Funded Status of the plan as of June 30, 2016 was as follows:

| | | |
|---|---|---|
| Total OPEB Liability | $ | 811,366 |
| OPEB Trust fiduciary net position | | 364,021 |
| Fiduciary net position as percentage of total OPEB | | 44.87% |

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 contributions 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 progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*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 the plan members) and include the types of benefits provided at the time of each valuation, the historical pattern of sharing of benefit costs, and the plan members to that point. The actuarial methods and assumptions used 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 the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, a method assuming "frozen entry age with allocation based on service" was used. The actuarial assumptions included a 6% discount rate and an annual health care cost trend rate of 4.00% for fiscal 2016, reduced by .75% per year to an ultimate rate of 2.5%. The UAAL is being amortized in level dollar amounts over thirty years starting in 2010. The remaining amortization period at June 30, 2015 was twenty-four years. The Collaborative has recorded a liability of $648,663 for 2015 based on the valuation, and a liability of $451,366 ($811,366 less 360,000 contributed to trust) at June 30, 2016 based on rollforward estimated calculations for fiscal year 2016, which covers the actuarial accrued liability (AAL), which is based on coverage for family and single retirees.

## 8. ACCRUED VACATIONS

The employees of the Collaborative are entitled to paid vacation time depending on length of service and other factors. The accrued liability for vacations was approximately $22,505 at June 30, 2016 and is reflected in Accrued Payroll and Fringe Benefits in the accompanying financial statements. Employees are required to use their vacation time by August 31 following the fiscal year end, or they lose any balance.

## 9. SURPLUS FUNDS

Due to regulations, there is a limit on the amount of surplus funds Collaboratives are allowed to retain. The surplus cannot exceed 25% of prior year general fund expenditures. For the year ended June 30, 2016, the allowable cumulative surplus is $3,312,586 ($13,250,344 x 25%). Unrestricted net position of $3,185,069 does not exceed this amount.

## 10. GROUP HEALTH INSURANCE PLAN

As allowed by state laws, the Collaborative is a member of West Suburban Health Group. This health group provides a form of reinsurance and affords its members protection against substantial health premium increases based on an adverse claim history. If a large premium increase would occur, the cost would be spread among all members. During fiscal year 2016, the employer portion of the Collaborative's premiums totaled $386,432. No contingent liabilities exist due to the Collaborative's membership in the West Suburban Health Group.

## 11. RESTRICTED FUNDS

Following is a summary of restricted net assets at June 30, 2016:

| | |
|---|---|
| M.J. Palladino Scholarship Fund | $ 2,645 |
| Susan Rees Fund | 2,105 |
| Children's Scholarship | 1,814 |
| Other Funds | 5,255 |
| Natick First | 6,292 |
| Total | $ 18,111 |

## 12. OPERATING LEASES

The Collaborative rents office space located in Natick, Massachusetts and has operating leases through June and August 2017. Rent expense for this facility was $98,024 for fiscal year 2016. Minimum future rental payments under these operating leases are as follows:

| Year | Amount |
|---|---|
| FY2017 | 92,017 |
| FY2018 | 11,994 |
| Total | **$ 104,011** |

The Collaborative signed a 15 year lease for new space in August of 2016. This space will include both administration and classroom area. The new lease will start June 15, 2017 and ends June 30, 2032. Minimum future rental payments under this operating lease are as follows:

| Year | Amount |
|---|---|
| FY2017 | 25,575 |
| FY2018 | 613,800 |
| FY2019 | 613,800 |
| FY2020 | 613,800 |
| FY2021 | 628,200 |
| Thereafter | 7,169,400 |
| Total | **$ 9,664,575** |

## 13. CONCENTRATION OF CREDIT RISK

The Collaborative maintains its operating bank accounts at two banks. Generally, these deposits may be redeemed upon demand. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. These balances fluctuate greatly during the year and can exceed this limit. The amount in excess of the FDIC limit totaled $2,143,330 as of June 30, 2016. In addition, the Collaborative has an arrangement with Bank of America to guarantee the balances in excess of the FDIC limit in exchange for a lower rate of return on the cash balances.

## 14. LONG-TERM NOTES PAYABLE

As of June 30, 2016, the Collaborative had two 36 month loans, the proceeds from which were used to purchase vehicles for client transportation. The loans are secured by the vehicles. During FY16, the Collaborative paid off a vehicle loan and a loan that had been used to acquire GPS equipment for the vehicles (Bank of West). These loans are recorded in the government-wide statement of net position. A summary of long-term notes payable activity and obligations follows.

| Bank Name | Bank of America | Bank of America | Bank of America | Bank of West | |
|---|---|---|---|---|---|
| Date of Loan | 8/6/2012 | 8/13/2013 | 8/15/2014 | 11/8/2013 | |
| Loan Amount | $254,304 | $760,374 | $359,340 | $86,674 | |
| Interest Rate | 3.04% | 3.04% | 3.23% | 7.00% | |
| Monthly Payment | $7,381 | $22,070 | $10,459 | $3,158 | Total |
| Balance June 30, 2015 | $7,002 | $282,098 | $252,531 | $33,555 | $575,186 |
| Principal Paid | (7,002) | (260,089) | (119,096) | (33,555) | (419,742) |
| Balance June 30, 2016 | $0 | $22,009 | $133,435 | $0 | $155,444 |

Future payments by fiscal year are as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | 145,014 | 2,564 | 147,578 |
| 2018 | 10,430 | 29 | 10,459 |
| Total | $155,444 | $ 2,593 | $ 158,037 |
| | | | |

## 15. SUBSEQUENT EVENTS

The Collaborative signed a new lease agreement beginning in FY17; see the Operating Leases footnote. The Collaborative did not have any other recognized or non-recognized subsequent event after June 30, 2016, the date of the statement of net position. Subsequent events have been evaluated through December 14, 2016, the date the financial statements were available to be issued.

Bruce D. Norling, CPA, P.C.

# INDEPENDENT AUDITORS' 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
ACCEPT Education Collaborative
Natick, 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 ACCEPT Education Collaborative, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements and have issued our report thereon dated December 14, 2016.

## Internal Control Over Financial Reporting

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

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

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


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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Collaborative's financial statements are free of 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bruce D. Norling, CPA, P.C*

December 14, 2016

**ACCEPT EDUCATION COLLABORATIVE**
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**
**BUDGET AND ACTUAL – GENERAL FUND**
**FOR THE YEAR ENDED JUNE 30, 2016**

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts, Budgetary Basis | Variance with Final Budget Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| REVENUES | | | | |
| Administration | $ 52,000 | $ 52,000 | $ 57,460 | $ 5,460 |
| Regular, Therapy, and Other Programs | 4,575,265 | 4,575,265 | 5,176,452 | 601,187 |
| Transportation | 5,755,187 | 5,755,187 | 6,172,417 | 417,230 |
| Home-based Services and Consultation | 733,600 | 733,600 | 1,019,378 | 285,778 |
| Summer Programs | 614,173 | 614,173 | 654,483 | 40,310 |
| Technology Initiative | 145,572 | 145,572 | 194,300 | 48,728 |
| Professional Development Programs | 200,004 | 200,004 | 229,932 | 29,928 |
| Medicaid Reimbursement Services | 224,719 | 224,719 | 220,560 | (4,159) |
| Grant Revenues | - | - | 204,771 | 204,771 |
| Gifts and Other | - | - | 4,250 | 4,250 |
| Total Operating Revenues | 12,300,520 | 12,300,520 | 13,934,003 | 1,633,483 |
| Investment Income | - | - | 2,296 | 2,296 |
| Total Revenues | 12,300,520 | 12,300,520 | 13,936,299 | 1,635,779 |
| EXPENSES | | | | |
| Administration | 56,795 | 56,795 | 93,221 | (36,426) |
| Regular, Therapy, and Other Programs | 4,620,287 | 4,620,287 | 5,190,297 | (570,010) |
| Transportation | 5,748,328 | 5,748,328 | 6,732,678 | (984,350) |
| Home-based Services and Consultation | 423,231 | 423,231 | 570,685 | (147,454) |
| Summer Programs | 535,187 | 535,187 | 524,061 | 11,126 |
| Technology Initiative | 155,572 | 155,572 | 189,740 | (34,168) |
| Professional Development Programs | 481,008 | 481,008 | 543,161 | (62,153) |
| Medicaid Reimbursement Services | 182,628 | 182,628 | 188,619 | (5,991) |
| Grant Expenses | 82,700 | 82,700 | 198,962 | (116,262) |
| Gifts and Other | - | - | 3,014 | (3,014) |
| Reserve for Members (Due to Members) | - | - | - | - |
| Total Expenses | 12,285,736 | 12,285,736 | 14,234,438 | (1,948,702) |
| Excess (Deficit) of Revenues Over Expenses | $ 14,784 | $ 14,784 | $ (298,139) | $ (312,923) |

Notes to schedule:

The Board of Directors annually determines the amount to be raised to maintain and operate the Collaborative during the next fiscal year and then, based upon enrollment data, assesses the member and non-member districts in accordance with the terms of the agreement. An annual budget is adopted for the general fund in conformity with the guidelines described above. The above schedule presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

The Collaborative prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Collaborative's method (budget basis) in the above schedule to provide meaningful comparison of actual results with budget.

Reconciliation of the budget basis (Governmental) to the Government-Wide basis is provided below:

| | Revenue | Expenditures | Excess (Deficit) |
|---|---|---|---|
| Budget basis | $ 13,936,299 | $ 14,234,438 | $ (298,139) |
| Depreciation | - | 487,097 | |
| Recognized on-behalf pension payments | 884,509 | 884,509 | |
| Decrease in OPEB liability | - | (197,297) | |
| Capital Outlays | | (263,370) | |
| Principal Payments on Loans | | (419,741) | |
| Government-Wide Basis | $ 14,820,808 | $ 14,725,636 | $ 95,172 |

**ACCEPT EDUCATION COLLABORATIVE**
**RETIREE HEALTH PLAN FUNDING PROGRESS**
**JUNE 30, 2016**

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio |
|---|---|---|---|---|
| 6/30/2011 | $0 | $84,188 | $84,188 | 0% |
| 6/30/2012 | $0 | $245,751 | $245,751 | 0% |
| 6/30/2013 | $0 | $378,308 | $378,308 | 0% |
| 6/30/2014 | $0 | $499,146 | $499,146 | 0% |
| 6/30/2015 | $0 | $648,663 | $648,663 | 0% |

See independent auditors' report on supplementary information.

**ACCEPT EDUCATION COLLABORATIVE**
**SCHEDULE OF THE COLLABORATIVE'S PROPORTIONATE SHARE**
**OF THE NET PENSION LIABILITY**
**JUNE 30, 2016**

| Measurement Date | June 30, 2015 | | June 30, 2014 | |
|---|---|---|---|---|
| | MTRS | MSERS | MTRS | MSERS |
| Collaborative's proportion of the net pension liability | 0.0306% | 0.0389% | 0.0283% | 0.0340% |
| Collaborative's proportionate share of the net pension liabi | $6,260,071 | $4,430,420 | $ 4,500,421 | $ 2,521,960 |
| Collaborative's covered-employee payroll | $ 2,903,925 | $ 2,132,875 | $ 2,467,032 | $ 1,799,607 |
| Collaborative's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 215.57% | 207.72% | 182.42% | 140.14% |
| Plan fiduciary net position as a percentage of the total pension liability | 55.38% | 67.87% | 61.61% | 76.32% |

Notes to Required Supplementary Information
MTRS is the Massachusetts Teachers' Retirement System
MSERS is the Massachusetts State Employees' Retirement System

Measurement Date
The amounts presented in this schedule were determined as of June 30, 2015 and 2014.

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.

**ACCEPT EDUCATION COLLABORATIVE**
**SCHEDULE OF PENSION CONTRIBUTIONS**
**JUNE 30, 2016**

| Measurement Date | June 30, 2015 | | June 30, 2014 | |
|---|---|---|---|---|
| | MTRS | MSERS | MTRS | MSERS |
| Contractually required contribution | $ - | $ 119,441 | $ - | $ 100,778 |
| Contributions in relation to the contractually required contributior | $ - | $ 119,441 | $ - | $ 100,778 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Collaborative's covered-employee payroll | $ 2,903,925 | $ 2,132,875 | $ 2,467,032 | $ 1,799,607 |
| Contributions as a percentage of covered-employee payroll | 0% | 5.6% | 0% | 5.6% |

Notes to Required Supplementary Information
MTRS is the Massachusetts Teachers' Retirement System
MSERS is the Massachusetts State Employees' Retirement System

Measurement Date
The amounts presented in this schedule were determined as of June 30, 2015 and 2014.

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 situtation.

ACCEPT Education Collaborative
Supplemental Schedule - Information Required by MGL Chapter 40 Section 4E
June 30, 2016

The following information is provided to conform to Massachusetts General Law, Chapter 40, Section 4E which establishes the requirements for the formation and administration of Educational Collaboratives in Massachusetts.

**1)** Transactions between the education collaborative and any related for-profit or non-profit organization: None.

**2)** Transactions or contracts related to the purchase, sale, rental or lease of real property: The Collaborative rents office space as described in Footnote #12.

**3)** The names, duties and total compensation of the 5 most highly compensated employees:

| Name | Position | Salary | Benefits | Total Salary & Benefits |
|---|---|---|---|---|
| Marcia Berkowitz | Executive Director | $147,900 | 13,810 | $161,710 |
| Jescah Apamo-Gannon | Teacher | 150,471 | 11,023 | 161,494 |
| Perrin Montalto | Program Director | 98,490 | 16,279 | 114,769 |
| Wendy Danforth | Teacher | 101,270 | 11,858 | 113,128 |
| Maureen Burns | Teacher | 88,882 | 5,738 | 94,620 |
| | Total | $587,013 | 58,708 | $645,721 |

**4)** The amounts expended on administration and overhead:

The total amount expended on administration and overhead for fiscal year 2016 was $727,589. Of this amount, $114,311 is reported as administration expense on the Statement of Activities, and $613,278 is allocated to program and transportation expenses.

**5)** Any accounts held by the collaborative that may be spent at the discretion of another person or entity: None.

**6)** The amounts expended on services for individuals age 22 and older: None.