

BI-COUNTY EDUCATION COLLABORATIVE

BASIC FINANCIAL STATEMENTS

AND

MANAGEMENT'S DISCUSSION AND ANALYSIS TOGETHER WITH INDEPENDENT

AUDITORS' REPORT FOR THE YEAR ENDED JUNE 30, 2015

BI-COUNTY EDUCATION COLLABORATIVE

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JUNE 30, 2015

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Business Advisors
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Bi-County Education Collaborative
Franklin, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Bi-County Education Collaborative as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 an opinion 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 of 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Bi-County Education Collaborative as of June 30, 2015, and the respective changes in financial position, for the year then ended in conformity 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 on pages 3-5 and the budgetary comparison information on page 25 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 Bi-County Education Collaborative basic financial statements. The supplementary information contained in Schedules I through III is presented for the purpose of additional analysis and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 September 21, 2015, on our consideration of Bi-County Education 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 Bi-County Education Collaborative's internal control over financial reporting and compliance.

Parsons, Ratchiff, Ryan & Co., LLC

Franklin, Massachusetts
September 21, 2015

BI-COUNTY EDUCATION COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

The following discussion and analysis of the Bi-County Education Collaborative's (the Collaborative) financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2015 and summarized comparative information for 2014. 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 of 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 tuitions and fees for clinical services from contracting municipalities. Provision of services is primarily confined to the Southeastern Massachusetts region. The Collaborative is governed by a seventeen member Board of Directors consisting of one representative from each member district. During fiscal year 2015, the Collaborative conducted school based programs and served 196 students as of the fiscal year end.

OVERVIEW OF THE FINANCIAL REPORTS

This discussion and analysis 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 basis 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.
 - **Governmental funds statements** tell how basic services were financed in the short-term as well as what remains for future spending.
 - **Fiduciary funds statements** provide information about the financial relationships in which the Collaborative acts solely as a trustee or agent for the benefit of others to whom the resources belong.
- **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 basis financial statements and information required by the Massachusetts Department of Elementary and Secondary Education.

Government-wide Statements

The government-wide statements (*statement of net position* and *statement of activities*) 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.

BI-COUNTY EDUCATION COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL REPORTS *(continued)*

Government-wide Statements *(continued)*

- 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 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 statement because the resources of those funds are not available to support the Collaborative's own programs. Fiduciary funds (Retiree Health Insurance Trust) are presented after the **Governmental funds** statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summarized **Statement of Net Position** is for the fiscal year 2015 with comparative information from fiscal year 2014. Included in the unrestricted category for fiscal years 2015 and 2014 are board-designated amounts of \$98,050 for unemployment reserves.

	June 30, 2015	June 30, 2014
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$3,770,502	\$3,585,789
Capital assets	<u>116,127</u>	<u>69,842</u>
Total assets	<u>\$3,886,629</u>	<u>\$3,655,631</u>
Current liabilities, i.e. accounts payable, accrued expenses and deferred revenue	\$ 734,937	\$ 969,921
Non-current liabilities	-	-
Total liabilities	<u>\$ 734,937</u>	<u>\$ 969,921</u>
Net position:		
Invested in capital assets	\$ 116,127	\$ 69,842
Capital reserve	400,073	360,400
Unrestricted	<u>2,635,492</u>	<u>2,255,468</u>
Total net position	<u>\$3,151,692</u>	<u>\$2,685,710</u>

BI-COUNTY EDUCATION COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

As indicated in the following summarized **Statement of Activities**, net assets increased by \$465,982 during fiscal year 2015. Average enrollments increased by 5.5% from the prior year. Cost controls continued as enrollments had declined at the beginning of the year and did not increase until December of 2014, and continued increasing until June of 2015 resulting in a larger than anticipated surplus at the end of the fiscal year.

	Year ended June 30, 2015	Year ended June 30, 2014	% Change
Revenues:			
Charges for student services	\$11,018,359	\$10,454,585	+ 5.4%
Intergovernmental revenue	895,517	602,490	
Grants and contributions	7,138	-	
Interest income	<u>6,237</u>	<u>5,570</u>	
Total revenues	<u>11,927,251</u>	<u>11,062,645</u>	
Expenses:			
Student services	9,716,215	9,820,542	
General and administrative	825,844	617,029	
Depreciation	23,693	19,027	
Intergovernmental expense	<u>895,517</u>	<u>602,490</u>	
Total expenses	<u>11,461,269</u>	<u>11,059,088</u>	+ 1.3%
Change in net position	465,982	3,557	
Net position – beginning	<u>2,685,710</u>	<u>2,682,153</u>	
Net position - ending	<u>\$ 3,151,692</u>	<u>\$ 2,685,710</u>	

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for fiscal year 2015 was conservatively based on a decrease in enrollments which did occur as of September of 2014. As of the end of the fiscal year, total expenditures were lower than budgeted amounts by approximately \$450,000 primarily due to lower payroll costs achieved by replacing some terminated staff members with long-term substitutes who were already on the payroll and the student mix constituting the enrollment increases which allowed for increases in classroom sizes that had not been operating at maximum capacity. In addition, capital outlays were lower than anticipated due to timing of technology upgrades.

REQUESTS 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 financial information should be addressed to the Business Office of the Collaborative.

BI-COUNTY EDUCATION COLLABORATIVE

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
CURRENT ASSETS:	
Cash and cash equivalents	\$2,363,597
Accounts receivable	1,172,900
Prepaid expenses	<u>234,005</u>
Total current assets	<u>3,770,502</u>
PROPERTY, PLANT AND EQUIPMENT:	
Vehicles	165,113
Accumulated depreciation	<u>(48,986)</u>
Net property, plant and equipment	<u>116,127</u>
Total assets	<u>\$3,886,629</u>
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 520,986
Deferred revenue	<u>213,951</u>
Total current liabilities	<u>734,937</u>
NET POSITION:	
Invested in capital assets	116,127
Capital reserve	400,073
Unrestricted	<u>2,635,492</u>
Total net position	<u>3,151,692</u>
	<u>\$3,886,629</u>

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

BI-COUNTY EDUCATION COLLABORATIVE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	Charges for Expenses	Program Revenue Charges for Services	Total
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Student services	\$ 9,716,215	\$11,018,359	\$1,302,144
and administrative	825,844	-	(825,844)
Depreciation	23,693	-	(23,693)
Intergovernmental revenue and expense	<u>895,517</u>	<u>895,517</u>	<u>-</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$11,461,269</u>	 <u>\$11,913,876</u>	 <u>452,607</u>
 General revenue:			
Interest			6,237
Grants and contributions			<u>7,138</u>
Change in Net Position			<u>465,982</u>
NET POSITION, BEGINNING OF YEAR			<u>2,685,710</u>
NET POSITION, END OF YEAR			<u>\$3,151,692</u>

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

BI-COUNTY EDUCATION COLLABORATIVE

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$1,963,524	\$400,073	\$2,363,597
Accounts receivable	1,172,900	-	1,172,900
Prepaid expenses	<u>234,005</u>	<u>-</u>	<u>234,005</u>
Total assets	<u>\$3,370,429</u>	<u>\$400,073</u>	<u>\$3,770,502</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 520,986	\$ -	\$ 520,986
Deferred revenue	<u>213,951</u>	<u>-</u>	<u>213,951</u>
Total liabilities	<u>734,937</u>	<u>-</u>	<u>734,937</u>
FUND BALANCES:			
Nonspendable	234,005	-	234,005
Committed	-	400,073	400,073
Assigned	98,050	-	98,050
Cumulative surplus (Unassigned)	<u>2,303,437</u>	<u>-</u>	<u>2,303,437</u>
Total fund balances	<u>2,635,492</u>	<u>400,073</u>	<u>3,035,565</u>
Total liabilities and fund balances	<u>\$3,370,429</u>	<u>\$400,073</u>	<u>\$3,770,502</u>

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

BI-COUNTY EDUCATION COLLABORATIVE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Reserve Fund	Total Governmental Funds
REVENUES:			
Direct service and administrative	\$11,018,359	\$ -	\$11,018,359
Intergovernmental revenue and expense	895,517	-	895,517
Contributions	7,138	-	7,138
Interest income	<u>6,237</u>	<u>-</u>	<u>6,237</u>
 Total revenues	 <u>11,927,251</u>	 <u>-</u>	 <u>11,927,251</u>
 EXPENDITURES:			
Administrative expenses	825,844	-	825,844
Intergovernmental expense	895,517	-	895,517
Program expenses	9,575,866	140,349	9,716,215
Capital outlay	<u>-</u>	<u>69,978</u>	<u>69,978</u>
 Total expenditures	 <u>11,297,227</u>	 <u>210,327</u>	 <u>11,507,554</u>
 Revenue over (under) expenditures	 630,024	 (210,327)	 419,697
 INTERFUND TRANSFERS:	 (250,000)	 250,000	 -
 FUND BALANCES, BEGINNING OF YEAR	 <u>2,255,468</u>	 <u>360,400</u>	 <u>2,615,868</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 2,635,492</u>	 <u>\$ 400,073</u>	 <u>\$ 3,035,565</u>

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

BI-COUNTY EDUCATION COLLABORATIVE

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total fund balance, governmental funds	\$3,035,565
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets 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	<u>116,127</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$3,151,692</u>

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

BI-COUNTY EDUCATION COLLABORATIVE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in balances -governmental funds \$ 419,697

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. This is the amount by which capital outlays exceeded depreciation in the current period.

46,285

Changes in net position of governmental activities \$ 465,982

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

**BI-COUNTY EDUCATION COLLABORATIVE
RETIREES' HEALTH INSURANCE TRUST FUND**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2015

ASSETS:	
Investments	\$1,336,649
Due from Bi-County Education Collaborative	<u>1,177</u>
Total assets	<u>\$1,337,826</u>
NET POSITION	
Held in trust for benefits	<u>\$1,337,826</u>
	<u>\$1,337,826</u>

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

BI-COUNTY EDUCATION COLLABORATIVE RETIREES' HEALTH INSURANCE TRUST FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

ADDITIONS:

Bi-County Education Collaborative contributions	\$ 221,500
Retiree contributions	92,468
Interest income	<u>22,695</u>
Total additions	<u>336,663</u>

DEDUCTIONS:

Administrative expenses	4,190
Benefits to retirees and beneficiaries	<u>173,794</u>
Total deductions	<u>177,984</u>
Increase in net position	<u>158,679</u>
NET POSITION, BEGINNING OF YEAR	<u>1,179,147</u>
NET POSITION, END OF YEAR	<u>\$1,337,826</u>

Trust funds are held in two investment vehicles as follows:

\$821,962 is held in an investment account with Bristol County Savings Bank Financial Advisory Services, an investment division of Bristol County Savings Bank. Per agreement between Bi-County Education Collaborative and representatives of the division, funds are to be invested in only U.S. Government Securities and Certificates of Deposit (CD's). CD selection will be made from those banks with a 4-star or higher rating per Bankrate.com, an online bank rating service.

\$514,687 is held in the Massachusetts Pension Reserves Investment Trust (PRIT). The Trust is managed by the Pension Reserves Investment Management Board (PRIM) in accordance with fiduciary standards guided by M.G.L. chapter 32, section 23(3). PRIM's overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. The PRIT Fund serves as an investment vehicle for the retirement systems of Massachusetts authorities, counties, cities, and towns that invest in the PRIT Fund. The mission of the PRIT Fund is to ensure that assets to support current and future pension benefit obligations are invested in a cost-effective manner. PRIM seeks to maximize the total return on investments within acceptable levels of risk for a public pension fund.

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

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(1) NATURE OF ORGANIZATION AND REPORTING ENTITY

(a) Organization

Bi-County Education Collaborative (the Collaborative) is a public education collaborative established under Massachusetts General Law Chapter 40, Section 4E. The Collaborative's primary purpose is to conduct educational programs and/or services, which meet low-incidence special needs of 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 tuitions and fees for clinical services from contracting municipalities. Provision of services is primarily confined to the Southeastern Massachusetts region.

(b) 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 Bi-county 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Collaborative's basic financial statements include both government-wide and fund financial statements. Within the fund financial statements, separate statements are provided for governmental funds and fiduciary funds. The latter are excluded from the government-wide 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: net investment in capital assets, 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.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) *Basis of Presentation (Continued)*

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.

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

The Retiree Health Insurance Trust Fund is a fiduciary fund used to report resources that are required to be held in trust for the members and beneficiaries of this post-employment benefit plan. Fiduciary funds are presented in a separate statement and are used to report assets held in a trustee or agency capacity for the benefit of others. The resources held under this arrangement are not available to support Collaborative programs. The reporting focus is on net assets and changes in net assets.

(b) *Cash and Cash Equivalents*

At June 30, 2015 cash and cash equivalents consist of monies held in checking, savings and short-term certificate of deposit accounts.

(c) *Accounts Receivable and Revenue*

Accounts receivable consist of amounts due from municipalities for program services. As such, no allowance for doubtful accounts is deemed necessary.

Student services revenue consists of charges to districts for tuition, therapy and transportation services. Intergovernmental revenue consists of payments made to retired Collaborative employees by the Commonwealth of Massachusetts "on behalf" of the Collaborative. These payments are recorded as revenue and expenditures in the financial statements.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Capital Assets

Property and equipment are recorded at cost if purchased or at fair market value at the date of donation in the government-wide financial statements. Capital assets with a cost or value greater than \$5,000 are capitalized. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

(e) 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.

(f) Use of Estimates

Management uses estimates and assumptions in preparing 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.

(g) Fair Value of Financial Instruments

The Collaborative's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The Collaborative estimates that the fair value of all financial instruments at June 30, 2015 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

(h) Budgetary Control

The Board of Directors annually approves a budget based upon estimated enrollments for the year. Changes during the year based on actual numbers due to either enrollment fluctuations or unanticipated expenditures are presented to the Board for review through financial reports presenting budgeted to actual amounts. Budget amendments are required for expenditures in excess of budgeted amounts.

The statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual – Budgetary Basis presents a comparison of budgetary data to actual results. The General Fund uses the same basis of accounting for both budgetary and actual amounts.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(3) CAPITAL ASSETS

Capital assets consist of vehicles used for transportation of students.

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles	\$95,135	\$69,978	\$ -	\$165,113
Less: accumulated depreciation	<u>25,293</u>	<u>23,693</u>	<u>-</u>	<u>48,986</u>
Capital assets, net	<u>\$69,842</u>	<u>\$46,285</u>	<u>\$ -</u>	<u>\$116,127</u>

Depreciation expense totaled \$23,693 for the fiscal year and was not allocated to governmental functions. It appears unallocated on the statement of activities.

(4) LINE OF CREDIT

The Collaborative has a \$500,000 line of credit. The obligation is secured by the Collaborative's accounts receivable and is available through November 30, 2015. The loan agreement contains certain restrictive covenants. Interest is payable at the Corporate Base Rate. The line of credit can be terminated at the discretion of the lender. No balance was outstanding at June 30, 2015.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(5) NET POSITION/ FUND BALANCE

During fiscal year 2014, the Board of Directors approved the transfer of funds held for contingencies on behalf of Project Spoke Collaborative (dissolved as of June 30, 2010) totaling \$63,050 to the Bi-County unemployment reserve. This increased the total of board-designated amounts used as a reserve for Massachusetts state unemployment payments to \$98,050. This amount is included in the unrestricted category on the statement of net position within the government-wide financial statements and in the "assigned" category on the governmental funds balance sheet.

During fiscal year 2014, the Board voted to adopt a Capital Reserve Policy, which was approved by member school committees, in accordance with DESE regulations.

On June 12, 2014, the Board voted to transfer \$360,400 from the General Fund into the Capital Reserve Fund. This amount is reported as "capital reserve" on the statement of net position within the government-wide financial statements and as "committed" on the governmental funds balance sheet.

During fiscal year 2015, expenditures from the capital reserve totaled \$210,327.

On May 14, 2015, the Board voted to transfer \$250,000 to the Capital Reserve to fund planned expenditures for fiscal year 2016.

(6) 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, 2015 is equal to the Unassigned General Fund Balance of \$2,303,437. 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 \$2,600,428, in cumulative surplus.

(7) RETIREMENT BENEFIT PLAN

The majority of employees of the Collaborative are covered by either the Massachusetts State Employees' Retirement System (MSERS), or the Massachusetts Teachers' Retirement System (MTRS) depending on their employment position.

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The Collaborative's contribution rate was 5.6% of MSERS wages as of June 30, 2015 and totaled \$142,221 for the fiscal year then ended. This contribution is calculated per MGL 32, & 28(4)(c) as a reimbursement to the Massachusetts State Retirement Board (the Board) for its share of any retirement allowance or pension amounts paid by the Board during the preceding calendar year which were based on service to the Collaborative as determined by the plan actuary. Legally, the Collaborative is responsible for

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(7) RETIREMENT BENEFIT PLAN (Continued)

contributing the annual normal cost of its employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and is not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaborative. The Commonwealth as a nonemployer contributor is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As such the Commonwealth contributes to the Massachusetts State Employees' Retirement System on behalf of the Collaborative. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Contributions made by the Commonwealth "on behalf" of the Collaborative totaled \$141,614. This amount is included in the accompanying statement of activities as intergovernmental revenue and expense.

The following information was attributed to BICO from allocation schedules prepared by The Commonwealth of Massachusetts State Retirement Board and audited by KPMG,LLP:

Net pension liability 6/30/14	\$3,606,009
Proportionate share of plan pension expense	\$266,960
Net amortization of deferred amounts from change in proportion	\$(10,535)
Total employer pension expense	\$ 256,425

The Commonwealth of Massachusetts contributes to the Massachusetts Teachers Retirement System (MTRS) on behalf of the Collaborative. The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, 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 in MTRS. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Pension support provided to the Collaborative totaled \$753,903. This amount is included in the accompanying statement of activities as intergovernmental revenue and expense.

The following information was attributed to BICO from allocation schedules prepared by The Commonwealth of Massachusetts Teachers' Retirement Board and audited by KPMG,LLP:

Proportionate share of the net pension liability at 6/30/14	\$10,851,458
Commonwealth pension support provided	\$639,891
Total employer pension expense and revenue for Commonwealth support	\$753,903

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(7) RETIREMENT BENEFIT PLAN (Continued)

All employees working 50% or more of a standard workweek are covered by and must participate in one of the systems referred to above depending on their type of position. Under the plans, benefits vest after 10 years of full-time employment. An employee with 20 years of service, or 10 years of service and having attained age 55, may receive retirement benefits.

Based on state statute, covered employees of the Collaborative contribute an amount ranging from 5% to 11% (depending on date of employment) of their gross earnings to the systems. The Commonwealth is required to make actuarially determined contributions that maintain the financial integrity of the retirement system.

Employees of the Collaborative that are not covered under either the MSERS or the MTRS are covered under a retirement plan established by the Collaborative in accordance with the Omnibus Budget Reconciliation Act of 1990 (OBRA). Covered employees of the Collaborative contribute 7.5% of their gross earnings to the plan. The Collaborative does not contribute to the plan.

(8) COMMITMENTS

(a) *Operating Leases*

The Collaborative leases classroom and administrative space from various member and non-member districts under both long-term and tenant-at-will leases. Rent expense for these spaces totaled \$638,185 for the year ending June 30, 2015.

On May 21, 2015, the Collaborative entered into a non-cancelable operating lease for office space that expires on June 30, 2020. The lease specifies rent at a fixed annual rate of \$66,950 plus an inflation provision providing for annual increases of the lower of the previous year's inflation rate or 2%. The lease requires the Collaborative to pay for utilities and insurance.

Future minimum lease payments under this lease are as follows for the years ending June 30:

2016	\$ 66,950
2017	68,959
2018	70,338
2019	71,744
2020	<u>73,179</u>
	<u>\$351,170</u>

The Collaborative also leases equipment under various operating leases, which require monthly aggregate payments of approximately \$1,600 and expire at various dates through June, 2017. Future minimum lease payments under these leases are as follows for the years ending June 30:

2016	\$14,855
2017	<u>10,056</u>
	<u>\$24,911</u>

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(8) COMMITMENTS (Continued)

(b) Employment Contracts

The Collaborative has three-year employment contracts with the Director of Student Services and the Director of Finance and Operations, and a two-year employment contract with one Program Director. All expire on June 30, 2017. There are no clauses regarding severance pay in these contracts.

On October 1, 2013, the Collaborative entered into a contract with the Executive Director, expiring on June 30, 2016. Six months' salary would be due as severance pay only if the Collaborative disbanded and less than one years' notice was given.

(9) ACCRUED SICK PAY BENEFITS

As of June 30, 1989, the Collaborative allowed employees to accrue sick pay benefits from year to year. The sick pay benefits cannot be quantified because employees cannot receive payment of their benefits for any reason other than illness. Employees who leave the Collaborative because of resignation, termination or retirement, cannot collect an accrued sick pay benefit.

The maximum allowable accrued sick pay benefits per position classification are as follows:

<u>Position</u>	<u>Days</u>
Teachers	170
Teachers' Aides	75
Secretarial	145

(10) CONCENTRATIONS

Massachusetts General Law, Chapter 44, Sections 54 and 55 places certain limitations on the nature of deposits and investments available to the Collaborative. The law authorizes investments in FDIC insured banks and national banks, subject to certain limitations. In addition, it authorizes investments in obligations of the U.S. Treasury, agencies, instrumentalities, certificates of deposit, repurchase agreements, money market accounts, and the State Treasurer's Investment Pool.

The Collaborative maintains its funds in various insured bank accounts. Balances in these accounts may, at times, exceed federally insured limits; however, all accounts have some form of supplemental deposit insurance. The Collaborative has not experienced any losses in such accounts. Management believes the Collaborative is not exposed to any significant credit risk related to cash.

The Collaborative follows deposit and investment policies that limit the Collaborative's allowable deposits and investments and address the specific types of risk to which the Collaborative is exposed. Funds are maintained in highly rated banks that insure all deposits through either Federal Deposit Insurance or the Depositors Insurance Fund, an industry-sponsored insurance fund for Massachusetts-chartered savings banks that covers all deposits above the Federal Deposit insurance fund limits.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(11) RETIREE HEALTH INSURANCE TRUST

On April 9, 1996, the Board of Directors of the Collaborative voted to adopt a policy to provide health insurance for qualifying retirees of the Collaborative. On February 10, 1999 the Board voted to establish a Retirees Insurance Trust Account and to commit a minimum of \$32,000 per year to fund the Trust effective fiscal year ending June 30, 1999.

There are no minimum funding requirements for the Trust on the part of the Collaborative and, therefore, funding is at the discretion of the Board of Directors of the Collaborative.

The Collaborative has a governance and fiscal responsibility to the Trust and, therefore, the Trust is reported as a fiduciary fund of the Collaborative.

In 2007 the Collaborative engaged an actuary to assist in determining annual contributions that would enable the Trust to continue to provide health insurance for qualifying retirees over the long-term. Since that time, the Collaborative has continued using actuarial information to assist in determining annual contributions to the trust based on a three-year cycle of actuarial reports. The information below is derived from the actuarial report as of July 1, 2015:

Fiscal year ended June 30, 2015:

Actuarial present value of future benefits	\$3,738,417
Assets	(1,335,779)
Unfunded accrued liability	<u>(1,038,499)</u>
Actuarial present value of future normal costs	<u>\$1,364,139</u>
Actuarial present value of future contributions of \$1 per year	\$881.01
Normal cost per active participant	\$1,548.38
Number of active participants	82
Normal cost as of mid-year	\$126,967
Amortization of unfunded accrued liability	<u>76,994</u>
Calculated annual contribution to cover	<u>\$203,961</u>

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(11) RETIREE HEALTH INSURANCE TRUST (Continued)

Projected benefit payments for the next ten fiscal years:

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
92,162	95,337	92,081	86,980	81,475	98,582	111,664	114,589	127,959	144,317

Actuarial cost methods and assumptions:

Actuarial cost method	Frozen entry age, per Section B-5 of GASB 45. Allocation based on service. Unfunded actuarial accrued liability amortized over 30 years in level dollar amounts, starting in fiscal 2008.
Discount rate	5.00%
Mortality after retirement	RP-2000 tables for healthy male & female pensioners, with no projected mortality improvement.
Termination of employment, before retirement	Rates vary by age and length of service.
Insurance premium rates	Rates in effect as of fiscal 2016 adjusted for estimated annual increases.
Eligibility	Those employees currently covered by the Collaborative's medical program were assumed to be eligible at retirement.

Annual contributions by the Collaborative to the Trust were \$221,500 for the fiscal year ending June 30, 2015.

(12) LITIGATION AND CLAIMS

The Collaborative has litigation arising from the normal course of business. In management's opinion, the outcome of any such litigation will not materially affect the Collaborative financial condition.

(13) SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through September 21, 2015, which is the date the financial statements were available to be issued.

BI-COUNTY EDUCATION COLLABORATIVE

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

BI-COUNTY EDUCATION COLLABORATIVE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GENERAL FUND - BUDGET AND ACTUAL - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES:				
Direct service and administrative	\$10,721,046	\$10,713,546	\$11,018,359	\$ 304,813
Contributions	-	-	7,138	7,138
Interest income	<u>-</u>	<u>7,500</u>	<u>6,237</u>	<u>(1,263)</u>
Total revenues	10,721,046	10,721,046	11,031,734	310,688
CAPITAL FUND	<u>-</u>	<u>360,400</u>	<u>210,327</u>	<u>(150,073)</u>
Total increases	<u>10,721,046</u>	<u>11,081,446</u>	<u>11,242,061</u>	<u>160,615</u>
EXPENDITURES:				
Administrative expenses	779,706	779,706	825,844	(46,138)
Program expenses	9,940,675	9,940,675	9,594,892	345,783
Capital outlay	<u>-</u>	<u>360,400</u>	<u>210,327</u>	<u>150,073</u>
Total expenditures	<u>10,720,381</u>	<u>11,080,781</u>	<u>10,631,063</u>	<u>449,718</u>
Net change	<u>665</u>	<u>665</u>	<u>610,998</u>	<u>610,333</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,615,868</u>	<u>2,615,868</u>	<u>2,615,868</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,616,533</u>	<u>\$ 2,616,533</u>	<u>\$ 3,226,866</u>	<u>\$ 610,333</u>

BI-COUNTY EDUCATION COLLABORATIVE

SUPPLEMENTARY INFORMATION
JUNE 30, 2015

BI-COUNTY EDUCATION COLLABORATIVEDISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012
OF THE MASSACHUSETTS GENERAL LAWS

FOR THE YEAR ENDED JUNE 30, 2015

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:

Contracts for the lease of classroom space from member and non-member schools and school Collaboratives at the following locations are:

School/ Collaborative	Lease Term	FY 2015 expense
Attleboro	Annual	\$ 90,735
Blackstone Millville	Annual	33,913
Foxboro	Annual	31,500
Franklin	Annual	31,050
King Philip Regional	Annual	36,012
Mansfield	Annual	33,600
Norfolk	Annual	11,588
North Attleboro	Annual	11,600
Norton	Annual	21,750
Plainville	Annual	100,766
Tri County Regional Vocational Tech HS	Annual	<u>83,076</u>
Total		<u>\$485,590</u>
Lease with Kelly Boulevard Trust for classroom space in North Attleboro	Annual	\$ 86,700
Long-term lease for office space at 397 East Central Street, Franklin		\$ 65,895

The amounts expended on administration and overhead:

Administration and overhead \$825,844

Any accounts held by the Collaborative that may be spent at the discretion of another person or entity:

None

The amounts expended on services for individual age 22 and older:

None

BI-COUNTY EDUCATION COLLABORATIVE

DISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012 OF THE MASSACHUSETTS GENERAL LAWS

SCHEDULE OF MOST HIGHLY COMPENSATED EMPLOYEES

FOR THE YEAR ENDED JUNE 30, 2015

Name & Title	Primary Duties	Compensation
Arlene B. Grubert, Executive Director	Performs oversight of the Collaborative. Carries out policies and procedures as set forth by the Bi-County Board of Directors. Reports to the Board of Directors.	\$132,184
Pamela S. Ludwig, Program Director	Directs and coordinates activities of teachers and other staff providing direct services to students. Assists in formulating recommendations for students. Monitors staff activities and provides technical assistance in specialized areas. Provides in-service training.	\$97,944
Nancy Regan, Director of Student Services	Handles incoming referrals and Program Director for Kelley Blvd.	\$91,807
Julie A. O'Connor, 12-Month Teacher	Lead teacher in twelve-month program.	\$90,762
Nancy Whitehouse-Brodeur, Nurse Case Manager	Supervises program nursing staff and oversees health care services to students. Plans school health program in cooperation with medical authority and administrative personnel.	\$89,213

BI-COUNTY EDUCATION COLLABORATIVE

SCHEDULE OF PROGRAM EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

Description

Elementary/Middle Alternative Program	\$2,939,715
Secondary Alternative Program	2,397,005
Life Roles Education and Transition Center	1,413,425
Intensive Special Needs	934,457
Occupational & Physical Therapy	493,605
Speech Therapy	264,129
Adaptive Physical Education	237,685
Contract Services	434,624
Summer Program	390,504
Interim Alternative Education Center	94,410
Unallocated Program Expenses from Capital Reserve	<u>140,349</u>
	<u>\$9,739,908</u>

Program expenses include depreciation allocated to programs.

BI-COUNTY EDUCATION COLLABORATIVE

AUDITORS' REPORT PURSUANT TO GOVERNMENT

AUDITING STANDARDS

FOR THE YEAR ENDED JUNE 30, 2015



Business Advisors
Certified Public Accountants

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
Bi-County Education Collaborative
Franklin, 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 of Bi-County Education Collaborative, as of and for the year ended June 30, 2015, which comprise the statement of financial position as of June 30, 2015, and the related notes to the financial statements, which collectively comprise Bi-County Collaborative's basic financial statements, and have issued our report thereon dated September 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bi-County Education 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 Bi-County Education Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of Bi-County Education 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 Bi-County Education 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.

Franklin, Massachusetts
September 21, 2015

Pavento, Ratcliffe, Renzi & Co. LLC