

LOWER PIONEER VALLEY EDUCATIONAL COLLABORATIVE

WEST SPRINGFIELD, MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018



Lower Pioneer Valley Educational Collaborative

West Springfield, Massachusetts

Comprehensive Annual Financial Report

For the Year
July 1, 2017 through June 30, 2018



Prepared by the Finance Department

LOWER PIONEER VALLEY EDUCATIONAL COLLABORATIVE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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Introductory Section



Students in building/property maintenance program

Introductory Section

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December 19, 2018

Letter of Transmittal

State law requires the Lower Pioneer Valley Educational Collaborative to publish at the close of each year a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Lower Pioneer Valley Educational Collaborative, for the year ending June 30, 2018 for your review.

The report is designed to be used by the Board of Directors of the Collaborative and others who are concerned with its management and progress such as bond analysts, banking institutions and credit assessors as well as the Collaborative's member school districts.

This report consists of management's representations concerning the finances of the Lower Pioneer Valley Educational Collaborative. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Management of the Collaborative is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Collaborative are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Executive Director is responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

Because the cost of internal controls should not outweigh their benefits, the Lower Pioneer Valley Educational Collaborative's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Lower Pioneer Valley Educational Collaborative's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Lower Pioneer Valley Educational Collaborative for the year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Lower Pioneer Valley Educational Collaborative's financial statements for the year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles (GAAP) require that management's discussion and analysis (MD&A) provide a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A where the financial analysis is presented. The Collaborative's MD&A can be found immediately following the independent auditor's report from Powers & Sullivan, LLC.

PROFILE OF THE COLLABORATIVE

The Collaborative is an educational service agency in Western Massachusetts. Educational service agencies are organizations created by special state legislation or administrative rule to provide programs and services to local school districts, or to serve state interests in other ways. The Collaborative meets the descriptive criteria set forth in the Association of School Business Officials International's publication *Standards of Excellence in Budget Presentation* for a primary governmental entity. These criteria include:

- Members of the governing board are selected from school committee members chosen in a general election;
- The organization functions as a separate legal entity; and
- The entity is fiscally independent.

The Lower Pioneer Valley Educational Corporation is a tax-exempt 501C (3) nonprofit corporation and a component unit of the Collaborative. In order to distinguish the two entities, the term Collaborative is used to describe the educational entity.

Seven school districts hold membership in the Collaborative: Agawam, East Longmeadow, Hampden-Wilbraham Regional School District, Longmeadow, Ludlow, Southwick-Tolland-Granville Regional School District, and West Springfield. In addition to serving its member districts, the Collaborative also provides services to school districts and municipalities throughout Western Massachusetts.

The Massachusetts legislature passed, and the governor signed into law Chapter 49, Section 4e in 1974. This act encouraged local school committees to conduct, in concert, educational programs and services to supplement or strengthen existing school programs and services. On March 2, 2012 Governor Patrick signed into law Chapter 43 of the Acts of 2012, *An Act Relative to Improving Accountability and Oversight of Education Collaboratives*. Subsequently, the Massachusetts Board of Education adopted a policy on Educational Collaboratives. In the most recent policy statement, the Board of Education reiterated its belief "that educational collaboratives have a potential beyond special education to increase and expand the level of service in regular education, occupational education, staff development, research and innovative programs."

Every fall, program administrators and department heads of the Collaborative develop a general fund budget for the coming school year which is voted on annually by the Board. Throughout the winter months, the executive director and director of finance meet regularly with the Board to review the annually proposed budget, elicit feedback, and make revisions based on new information. Legally, budgetary control is provided by the Board, and the Board's approval defines the organizational level at which expenditures and appropriations are budgeted. This level is at the department level, i.e.; administration, special education, occupational education, supplemental services, and professional development. Transfers between departments must be voted by the Board.

LEVEL OF EDUCATION PROVIDED

The Collaborative serves a general population of 20,735 students in seven member communities. Enrollment in Career and Technical Education (CTEC) programs at the secondary level has remained relatively constant at approximately 470 students from 2012 to 2018. Enrollment in special education programs for students in elementary, secondary, and transition programs varies; it was 102 in FY18. The Collaborative offers educational programs for a wide range of learners at the elementary and secondary levels. Educational programs at the Collaborative focus on Career and Technical Education and Special/Alternative Education.

The Career and Technical Education Center (CTEC) offers Chapter 74-approved career and technical education programs including a cooperative education program. The Special/Alternative Education department provides services to students aged 5 to 22 years who demonstrate a wide variety of exceptional learning needs, including students on the Autism spectrum, students with multiple and significant disabilities, students with specific learning disabilities, Autism, Pervasive Developmental Disabilities, Asperger’s Syndrome, and students with emotional and behavior disorders. The special education department also provides nursing services and adaptive physical education services. Career and technical programs and some special/alternative education programs are located at our LPVEC’s Brush Hill Avenue facility in West Springfield. Within its special education department, the Collaborative administers and Innovation School – the 21st Century Skills Academy- on behalf of West Springfield. Other special education programs reside in various schools and buildings throughout its member communities.

GEOGRAPHIC AREA SERVED

The Collaborative is located in Western Massachusetts. Although the Collaborative is comprised of seven member districts, the Collaborative also serves students in other public school districts in Hampden and Hampshire Counties. The Collaborative provides business and professional development services to municipalities and local education throughout Massachusetts.

The map below delineates the geographic area of the Collaborative member districts:



MEMBER COMMUNITIES

- Agawam:* K-12 district serving 3,864 students
- East Longmeadow:* PreK-12 district serving 2,652 students
- Hampden-Wilbraham Regional School District:* PreK-12 district serving 3,060 students
- Longmeadow:* PreK-12 district serving 2,877 students
- Ludlow:* PreK-12 district serving 2,649 students
- Southwick-Tolland-Granville Regional School District:* PreK-12 district serving 1,519 students
- West Springfield:* PreK-12 district serving 4,114 students

COLLABORATIVE PROGRAMS

CAREER AND TECHNICAL EDUCATION PROGRAM – The Lower Pioneer Valley Career and Technical Education Center (CTEC), located in West Springfield, MA, is an extension of the seven member high schools served by the Collaborative providing career/vocational technical education programs for students. CTEC programs are recognized career pathways as defined by the Carl D. Perkins Vocational and Applied Technology Act.

Founded in 1974, CTEC has a long tradition of partnering with local businesses and industry to ensure that students receive rigorous and relevant training aligned with the Massachusetts Department of Elementary & Secondary Education's (DESE) Vocational Technical Education Frameworks, industry standards, and regional employment needs. Since 2006, CTEC has operated out of its new facility in West Springfield, with state-of-the-art equipment and technology that meets or exceeds industry and OSHA standards.

Students completing a career/vocational technical program have the opportunity to continue formal studies at the post-secondary level, secure gainful employment, or pursue a combination of both. Programs at the Career and Technical Education Center include:

AUTOMOTIVE TECHNOLOGY

Automotive Technology is a Chapter 74 approved program certified by the National Automotive Technicians Education Foundation (NATEF) in the following areas: Brakes, Electrical/Electronic Systems, Engine Performance, and Suspension and Steering. Students are prepared for "All Aspects of the Industry" through various experiences in class, shop, and the community. Students are assessed on competencies aligned with the Massachusetts Vocational Technical Education Frameworks and the National Institute for Automotive Service Excellence (ASE).

CARPENTRY

The Carpentry Program is a Chapter 74 approved course of study offering a comprehensive, competency-based curriculum aligned with the Massachusetts Vocational Technical Education Frameworks (Construction Cluster/Carpentry).

COSMETOLOGY

Cosmetology, a Chapter 74 approved program, is a comprehensive competency based three-year program, certified by the Commonwealth of Massachusetts Board of Registration of Cosmetologists. Upon successful completion of the course, which includes the requirement of 1000 instructional hours, students are prepared to take the Board of Registration of Cosmetologists license exam using the curriculum standards set by the Board. Students who have mastered skills in all phases of cosmetology will have the opportunity to extend their learning experience into the world of work in an area salon.

CULINARY ARTS

Culinary Arts is a competency-based Chapter 74 approved program certified by the American Culinary Federation (ACF) and aligned with the Massachusetts Vocational Technical Education Frameworks (Hospitality and Tourism Cluster/Culinary Arts). Students operate a fully equipped commercial kitchen and dining room encompassing restaurant, banquet, and buffet services through two student-run restaurants: the morning Java Café, serving breakfast, and the Brush Hill Bistro, serving lunch. Students are assessed on industry-standard competencies developed by the American Culinary Federation, the Federation of Dining Room Professionals, and the American Hotel and Lodging Association. Students are prepared for the ServSafe® Certification through the National Restaurant Association's Educational Foundation training program.

DESIGN AND VISUAL COMMUNICATIONS

Design and Visual Communications is a Chapter 74 approved program that is competency based and prepares students for the visual design field. The curriculum is aligned with the Massachusetts Vocational Technical Education Frameworks (Arts and Communications Service Cluster/Design and Visual Communications).

EARLY EDUCATION AND CARE

Early Education and Care is a growing and ever changing field which includes the care and teaching of children from birth through age 7. The Early Education and Care program at CTEC is a comprehensive 3

year program in which students will experience a combination of classroom instruction and hands on experience with children from ages 6 weeks through 6 years of age.

FACILITIES MANAGEMENT

Facilities Management is a Chapter 74 approved, competency-based program designed to introduce students to the many facets of facilities maintenance: interior, exterior, and seasonal grounds and lawn care. The curriculum is aligned with the Massachusetts Vocational Technical Education Frameworks (Construction Cluster/Facilities Management).

FASHION TECHNOLOGY

The Fashion Technology program is a competency-based, Chapter 74 approved program that enables students to develop knowledge and skills in all aspects of the Fashion Industry. The program is aligned with the Massachusetts Department of Education Vocational Technical Education Frameworks (Business and Consumer Services Cluster/Fashion Technology).

GRAPHIC COMMUNICATIONS

The Graphic Communications program is a competency-based Chapter 74 approved program that prepares students for a wide range of career opportunities in the graphic arts and communications industry. The program is certified by PrintED®, a national accreditation program. Graphic Communications introduces students to theory and practical aspects of the commercial printing industry. The program is aligned with the Massachusetts Vocational Technical Education Frameworks (Arts and Communication Services Cluster/Graphic Communication).

HEALTH ASSISTING

The Health Assisting program is a comprehensive, competency-based program aligned with the Massachusetts Vocational Technical Education Frameworks (Health Services Cluster/Health Assisting). In addition to holding Chapter 74 approval, the Health Assisting program is certified by the Commonwealth of Massachusetts as a Certified Nursing Assistant (CNA) and Sending Health Aide (HHA) testing site and by the Department of Public Health as a Feeding Assistant testing site.

INFORMATION SUPPORT SERVICES AND NETWORKING

The Information Support Services and Networking program, a Chapter 74 approved program, is a competency-based program designed to provide students with entry-level skills in personal computer maintenance and repair, data communications, and networking. The curriculum is aligned with the Massachusetts Vocational Technical Education Frameworks (Information Technology Services Cluster/Information Support Services and Networking).

LANDSCAPING TECHNOLOGY/HORTICULTURE

The Landscaping Technology/Horticulture program is a Chapter 74 approved program aligned with the Massachusetts Vocational Technical Education Frameworks (Agriculture and Natural Resources Cluster/Horticulture). Students in the program explore career areas in landscape maintenance, construction and design, greenhouse production, nursery production, floriculture, and retail garden center operation. Leadership and personal development skills are promoted through involvement in the Future Farmers of American (FFA) Student Organization.

MACHINE TECHNOLOGY

The Machine Technology program features a state-of-the-art facility that includes the latest in technology including Computer Numeric Control (CNC) milling machines and lathes as well as a computer lab for CAD/CAM instruction. The Machine Technology program offers students the opportunity to experience the latest technology in the machine tool industry.

TECHNICAL CAREER EXPLORATORY

The Technical Career Exploratory is an introductory program designed to introduce 9th grade students to the career/vocational technical educational options available at the Lower Pioneer Valley Career and

Technical Education Center (Career TEC). The first three weeks of the course are an introduction to Career TEC.

COOPERATIVE EDUCATION PROGRAM

The Cooperative Education (Co-op) Program at Career TEC is designed to give second-year students the opportunity to extend their learning experience into the world of work. Student achievement in Co-op is assessed using the Work-Based Learning Plan endorsed by the Massachusetts Department of Education in collaboration with the Massachusetts School to Career System.

SPECIAL EDUCATION PROGRAMS - The LPVEC provides services to students aged 5 to 22 years who demonstrate a wide variety of exceptional learning needs including adjustment and behavioral problems, learning disabilities, Autism, Pervasive Developmental Disabilities, Asperger's Syndrome, and developmental disabilities. Students are referred to the LPVEC for services when they present needs for specially designed instruction that cannot be delivered effectively within the traditional classroom. On October 1, 2017, there were 102 special needs students in LPVEC Special Education programs. The Twain Alternative High School is located in its own, separate building. All other LPVEC special education programs are appropriately located within the public schools of the member school districts. LPVEC Special and Alternative Education Programs include:

AUTISM ELEMENTARY

Level: Elementary K-4

Ludlow High School, 500 Chapin Street, Ludlow, MA 01056

Program Description: The AEP Program is designed for students with moderate to severe autism and other related disabilities. The program follows the Massachusetts State Curriculum Frameworks. Instruction is presented at the student's level and according to the student's Individual Education Plan.

AUTISM MIDDLE SCHOOL

Level: Secondary Grades 5-10

Ludlow High School, 500 Chapin Street, Ludlow, MA 01056

Program Description: The AMP Program is designed for students with moderate to severe autism and other related disabilities. The program follows the Massachusetts State Curriculum Frameworks. Specialized Instruction is presented at the student's level and according to the student's Individual Education Plan.

AUTISM HIGH COPA

Level: High School to Age 22

Ludlow High School, 500 Chapin Street, Ludlow, MA 01056

Program Description: The COPA Program is designed for students with moderate to severe Autism and other related disabilities that may require physical assistance, personal care assistance and/or medical care.

COMPASS MIDDLE SCHOOL

Level: Middle School

Glenbrook Middle School, 110 Cambridge Circle, Longmeadow, MA 01106

Program Description: The Compass Middle School program is designed for students with Autism Spectrum Disorders. Compass Middle offers group pragmatics and social skills instruction, support in improving executive functioning, and group counseling to support students in navigating their social environment effectively and successfully.

COMPASS HIGH SCHOOL

Level: High School

Ludlow High School, 500 Chapin Street, Ludlow, MA 01056

Program Description: The Compass High School program is designed for students with Autism Spectrum Disorders. Compass High offers group pragmatics and social skills instruction, support in improving executive functioning, and group counseling to support students in navigating their social environment effectively and successfully.

CAREER PREPARATION PROGRAM

Level: High School

Minnechaug Regional High School, 621 Main Street, Wilbraham, MA 01095

Program Description: The Career Preparation Program is designed for adolescents with moderate delays in academics, language, and social skills.

CAREER SKILLS

Level: High School

East Longmeadow High School, 180 Maple Street, East Longmeadow, MA 01028

Program Description: The Career Skills Program is designed for adolescents with mild to moderate learning disabilities with high-functioning Autism. They may also access LPVEC Career TEC for vocational education if appropriate.

VOCATIONAL PREPARATION PROGRAM

Level: High School/ High School Plus

Minnechaug Regional High School, 621 Main Street, Wilbraham, MA 01095

Program Description: This program is designed for students with moderate delays in cognitive ability. It provides a half day of functional academics and a half day of vocational skills training either in a vocational educational program or in a community job placement. The program follows the Common Core State Standards. Instruction is presented at the student's level and according to the student's Individual Education Plan.

LPV ACADEMY

The following programs fall under the auspices of the Lower Pioneer Valley Academy (LPV Academy) and are located at the Career and Technical Education Center, 174 Brush Hill Avenue in West Springfield.

BRUSH HILL ACADEMY

Level: High School

Program Description: Brush Hill Academy (BHA) is a forward-thinking, alternative education program in which general education and special education teachers provide small group and individualized support, with a maximum of 12 students per class. A clinical consultant provides group counseling and consultation to staff to provide support in managing at-risk behavior.

INTEGRATED OCCUPATIONAL PREPARATION

Level: High School

Program Description: The IOP Program is designed for students with mild cognitive delays and language learning disabilities who meet the criteria for Career and Technical Education as outlined in the CTEC application for admissions. The program combines academics, career and technical education, and employability skills. Students spend half of their school day in academics and the other half in career and technical education. The focus of IOP is to provide academic instruction to meet graduation requirements and prepare students for successful placement in a career/technical field.

TRANSITIONAL ALTERNATIVE PROGRAM

Level: Middle School and High School

Program Description: The TAP program designed to provide temporary instructional and counseling support (as needed) for students who are suspended from their current school or transitioning between

BUSINESS SERVICES

In addition to education programs, the Collaborative offers and coordinates a variety of money-saving services for school districts and municipalities, including:

- **School Transportation Services:** The LPVEC provides regular education transportation to five of its member school districts and special education transportation to six member districts. The LPVEC employs and manages approximately 235 drivers and monitors and operates over 200 school transportation vehicles. The cost of providing these transportation services through the LPVEC has resulted in cost savings for member districts. In addition, because of the relationship of the LPVEC to its member school districts, the LPVEC is highly responsive to the needs of its members.

- **Municipal Medicaid Reimbursement:** The LPVEC Medicaid Reimbursement Program currently provides electronic billing services to 56 school districts and municipalities. This project generated over \$9.4 million in federal reimbursement funds to the participating districts in FY18. Due to the level of non-member participation, the cost of these services is significantly less to the LPVEC member districts.
- **Energy Management Services:** Developed in 1998, this program facilitates cooperative purchasing of a variety of energy-related utilities, including electricity, natural gas, fuel oil, diesel fuel, and gasoline. In recent years, the LPVEC has coordinated five annual cooperative bids for energy. Fourteen districts and municipalities participated in cooperative purchases for natural gas, 20 districts and municipalities participated in cooperative purchases for electricity, 49 for fuel oil, 23 for diesel and 22 for unleaded. Total energy bids in FY18 totaled approximately \$18.5 million, with collective savings of over \$1.8 million.

EDUCATOR SUPPORT SERVICES

LPVEC employs a director of curriculum, instruction, and assessment who works with district curriculum directors and LPVEC program staff to collaboratively improve teaching quality. LPVEC also shares several employees of the DESE District & School Assistance Center (DSAC), who work part-time to support the DSAC and part-time for the Collaborative's Innovative Research in Education (IRIE) center on a grant and contract-funded basis. Together, "CIA" staff provide the following services: facilitating district curriculum directors job-alike group; providing professional development and curriculum support for LPVEC's educators; managing shared professional development sessions for member districts; providing MCAS administration support for LPVEC special education programs; and providing grant support for member districts, primarily for multi-district proposals. IRIE offers a variety of grant and contract supported services, including: district and school improvement planning; examining curriculum, instruction, and assessment practices; strategic use of assessment and non-assessment data; development of formative, benchmark, and summative assessments; program evaluation; use of the Education Data Warehouse to access data and generate reports; and developing institutes on curriculum mapping and other topics.

INFORMATION USEFUL IN ASSESSING THE COLLABORATIVE'S ECONOMIC CONDITION

The mission of the Lower Pioneer Valley Educational Collaborative is to increase the capacity of school districts and support the success of all students by providing high-quality shared programs and services in a cost-effective manner. The Collaborative is an independent entity, governed by its members. While its primary responsibility is to its member districts, many of its offerings are also open to other districts and municipalities to help them save money and expand capacity.

Each year the Collaborative adopts goals in order to guide decision-making and evaluate expenditures. The LPVEC allocates resources in alignment with its stated goals. The budget reflects the allocation of revenue and expenditures to support educational programs and services defined by the Collaborative's mission and goals. The budget also represents a careful analysis of the needs of LPVEC communities and available financial support.

In FY18, through the Transportation Enterprise Fund, the Collaborative purchased approximately \$477,400 in vehicles for transportation of students in participating member districts. Useful life of the assets is approximately 10 years.

The fiscal year 2018 budget adopted on June 21, 2017, by the Board of Directors is \$22,394,184. This amount represents a \$780,317 or 3.37 percent decrease from the FY17 budget. The FY18 budget includes a reorganization of transportation services.

Changes to the operating budget worth noting are identified below.

Special Education – The decrease in Special Education is primarily due to the reduction of two (2) full-time equivalent (FTE) positions.

Vocational and Technical Education – The increase in Vocational-Technical Education is primarily due to the addition of one (1) full-time equivalent (FTE) position, the addition of student organizations, and salary and fringe costs

Transportation Services – The 0.51% decrease in Regular Needs Transportation (RNT) is primarily due to a thorough review of district ridership and consolidation of routes. As a result, LPVEC eliminated four (4) Regular Needs Transportation (RNT) vehicles. The 14.38% decrease in Special Needs Transportation (SNT) is primarily due to the comprehensive review and reorganization routes and fleet utilization. Special Needs Transportation utilizes various vehicles to provide transportation. The implementation of additional mini buses to transport students resulted in the elimination of fourteen (14) vans from the SNT fleet. As a result, districts recognized a decrease in their assessments of 614,157 or 14.38%. The 24.69% decrease in Summer Transportation is also primarily due to the reorganization of LPVEC's fleet utilization.

Contracted Services – The 25.33% decrease in Development Summer is primarily due to the reduction of staffing in the summer program. The 19.72% decrease in Therapy Services is primarily due to the reduction of services for student on an Individual Education Plan (IEP). The 73.06% reduction in Energy Management is primarily due to the reduction of a .75 full-time equivalent (FTE) position.

Contracted Services IRIE – We have included the total amount of the IRIE budget under contracted services and excluded any grant funding. Although we anticipate receiving grant funding to support the program, the exact amount of grant funds has not been confirmed. Districts do not pay for IRIE services unless they utilize the services. Districts have agreed to support the program with money reserved in fund balance for the program in the event that the program receives insufficient grant funding.

Apportioned Services – The increase/decrease in the apportioned services budget does not reflect an increase/decrease in expenses but rather a reallocation of administrative expenses.

Providing high quality educational programs and services, as well as technical support and assistance to our member districts, requires a highly skilled labor force. The costs associated with recruiting and retaining qualified personnel are reflected in the budget. Personnel decisions reflect staffing policies and guidelines set forth by the Board of Directors based on state requirements, program reviews, student enrollment, and curriculum requirements. Salary costs and increases are based on the average salaries and increases in LPVEC member districts. The Executive Director collects information on projected increases throughout the year. Once member districts finalize salaries and increases, the LPVEC adjusts staff salaries as necessary, issues retroactive pay, and amends the budget. For the 2017-2018 fiscal year, fringe benefits and salaries are expected to account for 70.91 percent of expenditures in the overall budget. The decrease in personnel costs from FY2017 to FY2018 is \$358,984 or 2.8%. Salaries for FY18 have been budgeted assuming a 2.0% increase. Costs associated with providing employee healthcare are expected to increase as FY2018 healthcare was budgeted at the average inflation rate of 12 percent. The healthcare for FY2017 was budgeted at the average inflation rate of 11 percent. Although there is a reduction of full time equivalents (FTE's) in the budget, there is an increase in healthcare costs of \$7,921 or 0.23% due to the inflation rate.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Finance Reporting to the Lower Pioneer Valley Educational Collaborative for its comprehensive annual financial report for the fiscal year ended June 30, 2013, 2014, 2015 and 2017. In order to be awarded this Certificate of Achievement, an entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Distinguished Budget Presentation Award to the Collaborative for its budget document for the year beginning July 1, 2008. In order to receive this award, a government unit must publish a budget document of the very highest quality that reflects both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting. The Collaborative will also submit its budget document for the year beginning July 1, 2018 for consideration of this award. This will be the seventh year that the Collaborative has received this award.

The Association of School Business Officials International awarded a Meritorious Budget Award to the Collaborative for its Annual Budget beginning July 1, 2008. The Meritorious Budget Awards Program encourages and recognizes excellence in school system budgeting. The Collaborative will also submit its budget document for the year beginning July 1, 2018 for consideration of this award.

The preparation of this CAFR and the Annual Budget report would not have been possible without the efficient and dedicated services of the entire financial team of the Collaborative. We would like to express our appreciation to all who assisted and contributed to the preparation of this report.

Respectfully submitted,

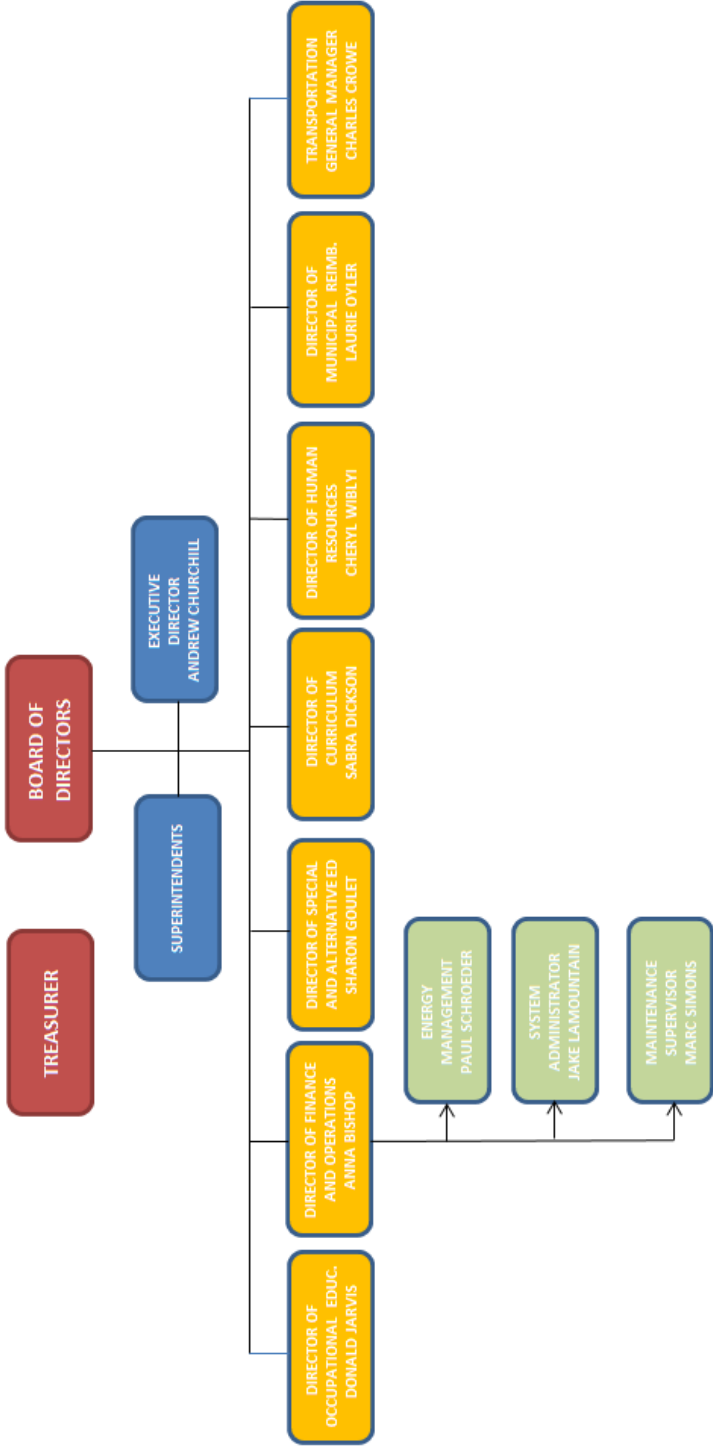


Andrew M. Churchill
Executive Director



Anna M. Bishop
Director of Finance and Operation

ORGANIZATIONAL CHART 2018





Principal Executive Officers

Andrew M. Churchill, Executive Director

Anna M. Bishop, Director of Finance and Operations

Donald Jarvis, Principal and Director of Career TEC

Dr. Sharon Goulet, Director of Special Education and Alternative Education

Board of Directors

Agawam: Mr. Carmino Mineo

East Longmeadow: Mr. William Fonseca

Hampden-Wilbraham Regional: Ms. Michelle Emirzian

Longmeadow: Ms. Stephanie Jasmin

Ludlow: Mr. Jacob Oliveira

Southwick-Tolland-Granville Regional: Mr. George LeBlanc

West Springfield: Ms. Carlee Santaniello



Mission, Vision, and Values of the Lower Pioneer Valley Educational Collaborative

Mission

The mission of the Lower Pioneer Valley Educational Collaborative is to improve effectiveness, efficiency, and equity in public education.

Vision

Guided by an innovative, creative, and entrepreneurial spirit, the Lower Pioneer Valley Educational Collaborative helps school districts meet the needs of every student while maximizing resource allocation. We are committed to responding to the changing needs of school districts by providing the highest quality programs and services at an affordable cost.

Values

The Collaborative values:

- A safe environment for all students, parents, and staff
- Educational excellence and program accountability
- Collaborative partnerships with schools, parents, and the community
- Relevant, rigorous, and continuous professional development
- Entrepreneurship
- Responsibility, shared knowledge, and shared decision making
- Recognizing the talents, achievements, and contributions of students and staff



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Lower Pioneer Valley
Educational Collaborative
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Lower Pioneer Valley Educational Collaborative

Massachusetts

For the Fiscal Year Beginning

July 1, 2016

Executive Director



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

This Meritorious Budget Award is presented to

**LOWER PIONEER VALLEY
EDUCATIONAL COLLABORATIVE**

for excellence in the preparation and issuance of its budget
for the Fiscal Year 2017–2018.

The budget adheres to the principles and standards
of ASBO International's Meritorious Budget Award criteria.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr. MBA, PRSBA, SFO
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

Financial Section



A project from the landscaping technology/horticulture program

Financial Section

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Independent Auditor's Report

To the Honorable Board of Directors
Lower Pioneer Valley Educational Collaborative
West Springfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lower Pioneer Valley Educational Collaborative (Collaborative), as of and for the year ended June 30, 2018 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Collaborative, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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 combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections, the schedule of cumulative surplus, and the required disclosures for Massachusetts Educational Collaboratives have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of the Collaborative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Powers & Sullivan LLC

December 19, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Lower Pioneer Valley Educational Collaborative (Collaborative), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2018. The Collaborative complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

As required by GASB Statement #75, in 2018 the Collaborative recognized the total net other postemployment benefit (OPEB) liability of \$17.1 million along with a deferred inflow related to OPEB of \$1.9 million on the statement of net position for the first time. Beginning of year net position has been revised as part of this implementation. Additional disclosures and schedules have been added to the notes to the basic financial statements and required supplementary information (See Note 15).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lower Pioneer Valley Educational Collaborative's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by assessments to member and non-member districts and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include administration, special education, occupational education, supplemental services, unallocated depreciation, and interest expense. These services are funded primarily by assessments and intergovernmental revenues including federal and state grants and other shared revenues. Also, blended within the governmental activities in the government-wide financial statements and within the governmental funds in the fund financial statements is the Lower Pioneer Valley Educational Corporation, a legally separate component unit. The component unit is blended with the primary government because it provides services almost entirely to the Collaborative and because almost all of the Corporation's debt is expected to be repaid with assets derived from the Collaborative. The business-type activities include services provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods and services provided. Business-type activities include the Collaborative's transportation program.

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

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

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

The Collaborative adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information after the notes to the financial statements to demonstrate compliance with this budget.

Proprietary funds. The Collaborative maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Collaborative uses enterprise funds to account for its transportation activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Collaborative's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Collaborative's budgetary basis of accounting as well as pension and other postemployment benefit obligations; *other supplementary information*; statistical tables; and additional state required disclosures.

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Collaborative's governmental assets exceeded liabilities by \$6.2 million at the close of year 2018. This represents an overall decrease in net position of \$279,000. This includes the activity of the Corporation, which is blended with the Collaborative in the Statements of Net Position and Activities.

Key components of the Collaborative's governmental financial position are listed on the following page:

	2018	2017 (As Revised)
Assets:		
Current assets.....	\$ 8,467,334	\$ 8,429,621
Capital assets, non depreciable.....	2,744,788	2,744,788
Capital assets, net of accumulated depreciation.....	<u>15,835,781</u>	<u>16,440,279</u>
Total assets.....	<u>27,047,903</u>	<u>27,614,688</u>
Liabilities:		
Current liabilities (excluding debt).....	1,186,841	1,509,951
Noncurrent liabilities (excluding debt).....	8,033,558	8,389,844
Current debt.....	491,250	477,000
Noncurrent debt.....	<u>10,299,750</u>	<u>10,791,000</u>
Total liabilities.....	<u>20,011,399</u>	<u>21,167,795</u>
Deferred inflows of resources.....	868,242	-
Net position:		
Net investment in capital assets.....	7,789,569	7,917,067
Unrestricted.....	<u>(1,621,307)</u>	<u>(1,470,174)</u>
Total net position.....	<u>\$ 6,168,262</u>	<u>\$ 6,446,893</u>
	2018	2017 (As Revised)
Program Revenues:		
Charges for services.....	\$ 3,204,948	\$ 3,362,538
Operating grants and contributions.....	4,982,096	5,517,284
General Revenues:		
Member district assessments.....	7,885,799	7,526,039
Unrestricted investment income.....	3,634	2,586
Miscellaneous.....	<u>17,157</u>	<u>1,725</u>
Total revenues.....	<u>16,093,634</u>	<u>16,410,172</u>
Expenses:		
Administration.....	2,749,989	2,799,691
Special Education.....	4,302,842	4,309,738
Occupational Education.....	5,444,300	5,342,291
Supplemental Services.....	2,834,990	2,812,903
Professional Development.....	2,842	-
Unallocated Depreciation.....	893,821	900,217
Capital Costs Not Capitalized.....	10,317	3,436
Interest.....	<u>423,164</u>	<u>441,186</u>
Total expenses.....	<u>16,662,265</u>	<u>16,609,462</u>
Excess (Deficiency) before transfers.....	(568,631)	(199,290)
Transfers.....	<u>290,000</u>	<u>240,554</u>
Change in net position.....	(278,631)	41,264
Net position, beginning of year (as revised).....	<u>6,446,893</u>	<u>6,405,629</u>
Net position, end of year.....	<u>\$ 6,168,262</u>	<u>\$ 6,446,893</u>

Net position of approximately \$7.8 million reflects the Collaborative's investment in capital assets (e.g., machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Collaborative uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the

resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance represents the unrestricted net position, which reports a year-end deficit balance of approximately \$1.6 million. Included within the governmental activities is the blended Lower Pioneer Valley Educational Corporation component unit which reported an increase in net position of approximately \$109,000.

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statement #75. To reflect this change, the Town has recorded a net opeb liability and a deferred inflow of resources related to OPEB, which has resulted in the revision of the June 30, 2017 balance of the governmental activities by \$139,036. Previously reported net position of \$6,307,857 million has been revised and is a position of \$6,446,893 (See Note 15).

Total revenues decreased by approximately \$306,000 from the prior year. Member district assessments increased while both charges for services and operating grants and contributions decreased. Total Collaborative expenses increased slightly from the prior year by approximately \$53,000. Accounting standards related to pensions required the Collaborative to recognize an additional revenue and expense for payments made by the state retirement system on behalf of the Collaborative.

Business-type Activities

For the Collaborative’s business-type activities, which consist solely of the Transportation Enterprise Fund, liabilities exceeded assets by \$7.7 million at the close of year 2018. Key components of the Collaborative’s business-type financial position are listed as follows:

	2018	2017 (As Revised)
Assets:		
Current assets.....	\$ 820,444	\$ 670,250
Capital assets, net of accumulated depreciation.....	3,326,702	3,731,193
Total assets.....	4,147,146	4,401,443
Liabilities:		
Current liabilities (excluding debt).....	720,741	745,375
Noncurrent liabilities (excluding debt).....	10,061,301	10,687,890
Total liabilities.....	10,782,042	11,433,265
Deferred inflows of resources.....	1,027,843	-
Net position:		
Net investment in capital assets.....	2,022,377	2,348,966
Unrestricted.....	(9,685,116)	(9,380,788)
Total net position.....	\$ (7,662,739)	\$ (7,031,822)

	2018	2017 (As Revised)
Program Revenues:		
Charges for services.....	\$ 11,590,185	\$ 12,164,006
Expenses:		
Transportation.....	11,931,102	12,359,913
Excess (Deficiency) before transfers.....	(340,917)	(195,907)
Transfers.....	(290,000)	(240,554)
Change in net position.....	(630,917)	(436,461)
Net position, beginning of year (as revised).....	(7,031,822)	(6,595,361)
Net position, end of year.....	\$ (7,662,739)	\$ (7,031,822)

The beginning net position of the business-type activities has been revised to reflect the implementation of GASB Statement #75. To reflect this change, the Collaborative has recorded a net OPEB liability and a deferred inflow of resources, which has resulted in the revision of the June 30, 2017 balance of the business-type activities by \$164,594. Previously reported net position of a deficit of \$7,196,416 has been revised to a deficit position of \$7,031,822 (See Note 15).

Business-type net position of \$2 million represents net investment in capital assets. The remaining \$9.7 million deficit balance of unrestricted net position is largely due to the recognition of the \$9.3 million liability associated with GASB Statement #75 (OPEB).

The Transportation enterprise fund reported a \$631,000 decrease in net position. There was a decrease of \$429,000 in expenses, and also experienced a decrease in revenue of \$574,000. During fiscal year 2018, the Collaborative purchased an additional \$937,000 in vehicles for the transportation program. The Collaborative continues to balance the purchase of vehicles for the transportation program with the ability to charge fees to offset the debt payments.

Financial Analysis of the Governmental Funds

As noted earlier, the Collaborative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current year, governmental funds reported combined ending fund balances of \$7.4 million, a net increase of \$374,000 from the prior year. The general fund increased by \$333,000; the grants fund decreased by \$22,000; the Lower Pioneer Valley Educational Corporation major fund increased by \$109,000; while the nonmajor governmental fund decreased by \$45,000.

The *General Fund* is the Collaborative's chief operating fund. At year end, unassigned fund balance of the general fund totaled \$3.6 million while total fund balance equaled \$4.8 million. Assigned fund balance consists of amounts the Collaborative has assigned for capital projects. As a measure of the general fund's liquidity, it may

be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27% of total general fund expenditures, while total fund balance represents 36% of that same amount. The general fund increased by approximately \$333,000 in 2018 in comparison to a decrease of \$433,000 in 2017. This was largely due to decreases in transfers out of the general fund for lease payments made to the Corporation under a new lease agreement offset by decreases in total revenues.

The *Grants Fund* at year end had a small deficit ending fund balance. This fund is used primarily for all federal, state, and local grant programs. The Collaborative received approximately \$1.2 million in intergovernmental revenue, which was offset by approximately \$1.1 million of expenditures.

The *Lower Pioneer Valley Educational Corporation Fund* represents the balance of the operating fund of the blended component unit. The fund had an ending fund balance of \$2.2 million, an increase of \$109,000, which mainly represents the difference between \$1,020,000 of lease payments received from the Collaborative, reported as transfers in, offset with debt service expenditures.

General Fund Budgetary Highlights

The Collaborative's 2018 original operating budget consisted of approximately \$11 million in current appropriations and anticipated assessments. During the year appropriations were increased through the use of prior year fund balance. The majority of this was for various capital project expenditures in the general fund. There is no net difference between the fund based and budgetary based change in fund balance for the year. Actual revenues came in more than budgeted by \$58,000 and expenditures were under budget by a total of \$275,000. All levels of expenditures came in under budget.

Capital Asset and Debt Administration

The Collaborative's capital assets totaled \$21.9 million as of June 30, 2018, which includes over \$17.8 million in assets of the Lower Pioneer Valley Educational Corporation blended component unit. Collectively the Collaborative acquired approximately \$1.2 million in capital assets in year 2018. This consisted primarily of machinery and equipment acquired in the general fund, a building at the Corporation, and vehicles acquired in the transportation enterprise fund.

The Collaborative reported \$10.8 million in long-term bonds payable which all related to debt held by the blended Corporation component unit.

The Collaborative Transportation fund purchased machinery and equipment and vehicles through capital leases. In 2018, the Collaborative purchased \$477,000 in vehicles through a new capital lease and made \$555,000 in capital lease payments.

Please refer to Note 4, 6, 7 and 8 in the basic financial statements for further discussion of the capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Lower Pioneer Valley Educational 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 Director of Finance, Lower Pioneer Valley Educational Collaborative, 174 Brush Hill Ave., West Springfield, Massachusetts 01089.

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Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2018

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 493,717	\$ 504,119	\$ 997,836
Investments.....	6,595,489	-	6,595,489
Departmental and other.....	3,300	4,550	7,850
Intergovernmental.....	1,222,172	328,239	1,550,411
Internal balances.....	75,000	(75,000)	-
Inventory.....	-	58,536	58,536
Other assets.....	77,656	-	77,656
Total current assets.....	<u>8,467,334</u>	<u>820,444</u>	<u>9,287,778</u>
NONCURRENT:			
Capital assets, nondepreciable.....	2,744,788	-	2,744,788
Capital assets, net of accumulated depreciation.....	15,835,781	3,326,702	19,162,483
Total noncurrent assets.....	<u>18,580,569</u>	<u>3,326,702</u>	<u>21,907,271</u>
TOTAL ASSETS.....	<u>27,047,903</u>	<u>4,147,146</u>	<u>31,195,049</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	377,049	96,629	473,678
Accrued payroll.....	552,643	29,153	581,796
Accrued interest.....	34,090	-	34,090
Other liabilities.....	128,053	5,618	133,671
Capital lease obligations.....	-	554,740	554,740
Compensated absences.....	95,006	34,601	129,607
Bonds payable.....	491,250	-	491,250
Total current liabilities.....	<u>1,678,091</u>	<u>720,741</u>	<u>2,398,832</u>
NONCURRENT:			
Capital lease obligations.....	-	749,585	749,585
Compensated absences.....	181,733	16,559	198,292
Net other postemployment benefits liability.....	7,851,825	9,295,157	17,146,982
Bonds payable.....	10,299,750	-	10,299,750
Total noncurrent liabilities.....	<u>18,333,308</u>	<u>10,061,301</u>	<u>28,394,609</u>
TOTAL LIABILITIES.....	<u>20,011,399</u>	<u>10,782,042</u>	<u>30,793,441</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to other postemployment benefits.....	868,242	1,027,843	1,896,085
NET POSITION			
Net investment in capital assets.....	7,789,569	2,022,377	9,811,946
Unrestricted.....	(1,621,307)	(9,685,116)	(11,306,423)
TOTAL NET POSITION.....	<u>\$ 6,168,262</u>	<u>\$ (7,662,739)</u>	<u>\$ (1,494,477)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
<i>Governmental Activities:</i>				
Administration.....	\$ 2,749,989	\$ 24,000	\$ 2,260,276	\$ (465,713)
Special education.....	4,302,842	1,130,939	564,250	(2,607,653)
Occupational education.....	5,444,300	798,334	999,257	(3,646,709)
Supplemental services.....	2,834,990	1,251,675	1,158,313	(425,002)
Professional development.....	2,842	-	-	(2,842)
Unallocated depreciation.....	893,821	-	-	(893,821)
Capital costs not capitalized.....	10,317	-	-	(10,317)
Interest.....	423,164	-	-	(423,164)
Total Governmental Activities.....	16,662,265	3,204,948	4,982,096	(8,475,221)
<i>Business-Type Activities:</i>				
Transportation.....	11,931,102	11,590,185	-	(340,917)
Total Primary Government.....	\$ 28,593,367	\$ 14,795,133	\$ 4,982,096	\$ (8,816,138)

(Continued)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(8,475,221)	(340,917)	(8,816,138)
<i>General revenues:</i>			
Member district assessments.....	7,885,799	-	7,885,799
Unrestricted investment income.....	3,634	-	3,634
Miscellaneous.....	17,157	-	17,157
<i>Transfers, net</i>	290,000	(290,000)	-
Total general revenues and transfers.....	8,196,590	(290,000)	7,906,590
Change in net position.....	(278,631)	(630,917)	(909,548)
<i>Net position:</i>			
Beginning of year (as revised).....	6,446,893	(7,031,822)	(584,929)
End of year..... \$	6,168,262	(7,662,739)	(1,494,477)

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2018

	General	Grants Funds	Lower Pioneer Valley Educational Corporation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 104,040	\$ -	\$ 177	\$ 389,500	\$ 493,717
Investments.....	4,422,585	-	2,172,904	-	6,595,489
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	3,300	3,300
Intergovernmental.....	687,552	534,620	-	-	1,222,172
Due from other funds.....	555,283	-	107,903	-	663,186
Other assets.....	77,656	-	-	-	77,656
TOTAL ASSETS.....	\$ 5,847,116	\$ 534,620	\$ 2,280,984	\$ 392,800	\$ 9,055,520
LIABILITIES					
Warrants payable.....	\$ 330,818	\$ 7,658	\$ 32,903	\$ 5,670	\$ 377,049
Accrued payroll.....	545,467	-	-	7,176	552,643
Due to other funds.....	32,903	549,342	-	5,941	588,186
Other liabilities.....	128,053	-	-	-	128,053
TOTAL LIABILITIES.....	1,037,241	557,000	32,903	18,787	1,645,931
FUND BALANCES					
Restricted.....	-	-	2,248,081	380,044	2,628,125
Assigned.....	1,186,551	-	-	-	1,186,551
Unassigned.....	3,623,324	(22,380)	-	(6,031)	3,594,913
TOTAL FUND BALANCES.....	4,809,875	(22,380)	2,248,081	374,013	7,409,589
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 5,847,116	\$ 534,620	\$ 2,280,984	\$ 392,800	\$ 9,055,520

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2018

Total governmental fund balances.....		\$ 7,409,589
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		18,580,569
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(868,242)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(34,090)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(10,791,000)	
Net other postemployment benefits liability.....	(7,851,825)	
Compensated absences.....	<u>(276,739)</u>	
Net effect of reporting long-term liabilities.....		<u>(18,919,564)</u>
Net position of governmental activities.....		<u>\$ 6,168,262</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	General	Grants Funds	Lower Pioneer Valley Educational Corporation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Member district assessments.....	\$ 9,551,848	\$ -	\$ -	\$ 24,000	\$ 9,575,848
Nonmember assessments.....	1,332,833	-	-	-	1,332,833
Intergovernmental.....	3,777,919	1,204,177	-	-	4,982,096
Departmental and other.....	17,157	-	-	190,885	208,042
Investment income.....	2,451	-	1,183	-	3,634
TOTAL REVENUES.....	14,682,208	1,204,177	1,183	214,885	16,102,453
EXPENDITURES:					
Current:					
Administration.....	2,572,534	1,574	10,985	-	2,585,093
Special education.....	4,017,952	12,851	-	23,939	4,054,742
Occupational education.....	5,128,270	230,418	-	-	5,358,688
Supplemental services.....	1,802,163	846,648	-	235,750	2,884,561
Capital outlay.....	-	-	-	233,609	233,609
Debt service:					
Principal.....	-	-	477,000	-	477,000
Interest.....	-	-	424,662	-	424,662
TOTAL EXPENDITURES.....	13,520,919	1,091,491	912,647	493,298	16,018,355
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,161,289	112,686	(911,464)	(278,413)	84,098
OTHER FINANCING SOURCES (USES):					
Transfers in.....	135,066	-	1,020,000	233,609	1,388,675
Transfers out.....	(963,609)	(135,066)	-	-	(1,098,675)
TOTAL OTHER FINANCING SOURCES (USES)...	(828,543)	(135,066)	1,020,000	233,609	290,000
NET CHANGE IN FUND BALANCES.....	332,746	(22,380)	108,536	(44,804)	374,098
FUND BALANCES AT BEGINNING OF YEAR.....	4,477,129	-	2,139,545	418,817	7,035,491
FUND BALANCES AT END OF YEAR.....	\$ 4,809,875	\$ (22,380)	\$ 2,248,081	\$ 374,013	\$ 7,409,589

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds.....	\$	374,098
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		289,323
Depreciation expense.....		<u>(893,821)</u>
Net effect of reporting capital assets.....		(604,498)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		<u>477,000</u>
Net effect of reporting long-term debt.....		477,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(40,143)
Net change in accrued interest on long-term debt.....		1,498
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		(868,242)
Net change in net other postemployment benefits liability.....		<u>381,656</u>
Net effect of recording long-term liabilities.....		<u>(525,231)</u>
Change in net position of governmental activities.....	\$	<u><u>(278,631)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Transportation</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 504,119
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	4,550
Intergovernmental.....	328,239
Inventory.....	<u>58,536</u>
Total current assets.....	<u>895,444</u>
NONCURRENT:	
Capital assets, net of accumulated depreciation.....	<u>3,326,702</u>
TOTAL ASSETS.....	4,222,146
LIABILITIES	
CURRENT:	
Warrants payable.....	96,629
Accrued payroll.....	29,153
Due to other funds.....	75,000
Other liabilities.....	5,618
Capital lease obligations.....	554,740
Compensated absences.....	<u>34,601</u>
Total current liabilities.....	<u>795,741</u>
NONCURRENT:	
Capital lease obligations.....	749,585
Compensated absences.....	16,559
Net other postemployment benefits liability.....	<u>9,295,157</u>
Total noncurrent liabilities.....	<u>10,061,301</u>
TOTAL LIABILITIES.....	<u>10,857,042</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to other postemployment benefits.....	<u>1,027,843</u>
NET POSITION	
Net investment in capital assets.....	2,022,377
Unrestricted.....	<u>(9,685,116)</u>
TOTAL NET POSITION.....	<u>\$ (7,662,739)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2018

		Business-type Activities - <u>Enterprise Funds</u>
		<u>Transportation</u>
<u>OPERATING REVENUES:</u>		
School year transportation.....	\$	10,232,243
Bus monitors.....		954,313
Field trip transportation.....		123,634
Summer school transportation.....		<u>279,995</u>
 TOTAL OPERATING REVENUES		 <u>11,590,185</u>
<u>OPERATING EXPENSES:</u>		
Wages and fringe benefits.....		8,263,146
Fuel.....		515,885
Repairs and maintenance.....		404,041
Overhead and operating expenses.....		1,073,183
Insurance.....		316,985
Depreciation.....		<u>1,346,418</u>
 TOTAL OPERATING EXPENSES.....		 <u>11,919,658</u>
 OPERATING INCOME (LOSS).....		 <u>(329,473)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest expense.....		<u>(11,444)</u>
 INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....		 <u>(340,917)</u>
<u>TRANSFERS:</u>		
Transfers out.....		<u>(290,000)</u>
 CHANGE IN NET POSITION.....		 (630,917)
 NET POSITION AT BEGINNING OF YEAR (AS REVISED).....		 <u>(7,031,822)</u>
 NET POSITION AT END OF YEAR.....	\$	 <u><u>(7,662,739)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

		Business-type Activities Enterprise Funds
		Transportation
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 11,485,619	
Payments to vendors.....	(2,747,378)	
Payments to employees.....	(7,389,229)	
		1,349,012
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers out.....	(290,000)	
Advances from other funds.....	75,000	
		(215,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets.....	(464,526)	
Principal payments on capital lease obligations.....	(555,303)	
Interest expense.....	(11,444)	
		(1,031,273)
NET CASH FROM OPERATING ACTIVITIES.....		102,739
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....		401,380
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$	504,119
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$	(329,473)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation.....		1,346,418
Deferred (outflows)/inflows related to other postemployment benefits.....		1,027,843
Changes in assets and liabilities:		
Departmental and other.....		4,478
Intergovernmental.....		(109,044)
Inventory.....		(17,889)
Warrants payable.....		39,787
Accrued payroll.....		(157,823)
Other liabilities.....		(7,369)
Compensated absences.....		3,897
Other postemployment benefits.....		(451,813)
Total adjustments.....		1,678,485
NET CASH FROM OPERATING ACTIVITIES.....	\$	1,349,012
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Capital lease financing.....	\$	477,401

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Other Postemployment Benefit Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents.....	\$ -	\$ 38,604
Investments:		
Investments in Pension Reserve Investment Trust.....	319,992	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	206
TOTAL ASSETS	<u>319,992</u>	<u>38,810</u>
LIABILITIES		
Liabilities due depositors.....	-	38,810
NET POSITION		
Restricted for other postemployment benefits.....	<u>\$ 319,992</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2018

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions for other postemployment benefit payments.... \$	217,446
Net investment income:	
Investment income.....	27,832
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	217,446
NET INCREASE (DECREASE) IN NET POSITION.....	27,832
NET POSITION AT BEGINNING OF YEAR.....	292,160
NET POSITION AT END OF YEAR..... \$	319,992

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Pioneer Valley Educational Collaborative (Collaborative) was formed in 1974 as authorized by Chapter 40 Section 4E and Chapter 797 of the Acts of 1979 of the Commonwealth of Massachusetts, by member school districts from the Towns of Agawam, East Longmeadow, Longmeadow, Ludlow, and West Springfield, and the Hampden-Wilbraham and Southwick-Tolland-Granville Regional School Districts. The primary purpose of the Collaborative is to expand the quality of educational services that can be provided more effectively and efficiently by pooling the resource and students of several school districts. Since inception, the Collaborative has been able to substantially broaden the quantity and quality of programs and services available to students in surrounding school districts. The Collaborative offers programs in occupational and special education areas, and in year 1992 began to provide transportation services to member school districts.

The Collaborative's programs and services are primarily intended for its members; however, nonmembers may also participate on a space-available basis. Nonmembers pay a 16% charge to provide for administration costs incurred by the Collaborative.

The Collaborative operates under an "Agreement of Association" (Agreement). Governance of the Collaborative is vested in a seven member board of Directors (Board) composed of one representative from each member school committee. The Board appoints an Executive Director who is the chief operating official for the Collaborative and who reports directly to the Board. The superintendents from each of the member school districts compose an advisory board to the Executive Director and the Board of Directors.

The accompanying basic financial statements of the Lower Pioneer Valley Educational Collaborative have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Collaborative accounting policies are described herein.

A. Reporting Entity

For financial reporting purposes, the Collaborative has included all funds, agencies, boards, commissions, and departments. The Collaborative has also considered all potential component units for which it is financially accountable as well as organizations for which the nature and significance of their relationship with the Collaborative are such that exclusion would cause the Collaborative's basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Collaborative (primary government) and its component unit. The Lower Pioneer Valley Education Corporation (Corporation) meets the required criteria to be reported as a blended component unit.

The Corporation was organized in 1981 and is comprised of the same seven member school districts as the Collaborative. The Corporation's primary activity is to act as the Collaborative's financing entity that issues debt to acquire real property and other educational related resources used by the Collaborative. The Corporation and Collaborative have entered into several long-term leases that provides for substantially all Corporation revenues which are then used to pay off all of the Corporation's debt. The Corporation issues separate audited financial statements. A copy of the complete financial statements can be obtained by contacting the Corporation at 174 Brush Hill Avenue, West Springfield, MA 01089.

The primary government consists of all funds and departments which provide various services including special education, occupational education, supplemental services, professional development, administrative, transportation services, and the activities of the blended component unit. The Collaborative Board of Directors and Executive Director are directly responsible for the activities of the governmental and business-type activities with the exception of the Lower Pioneer Valley Educational Corporation blended component unit.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by member assessments.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows, liabilities and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Assessments are recognized as revenues in the year for which they are assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.

- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Assessments and other items not identifiable as program revenues are reported as general revenues.

The effect of certain interfund activity has been removed from the government-wide financial statements so that activity is recorded only once in the consolidated statements. Interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and 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. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Member district assessments and non-member assessments are considered available if they are collected within 60 days after year end. Investment income is susceptible to accrual. Other receipts and revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental fund is reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *grants fund* is used to account for and report the activity of state and federal grants throughout the year.

The *Lower Pioneer Valley Educational Corporation* fund is used to account for the non-capital activity of the blended component unit.

The *nonmajor governmental funds* consist of other special revenue funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the

proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary fund is reported:

The *transportation enterprise fund* is used to account for transportation services which are provided to member districts.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting except for the Agency Fund, which has no measurement focus. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Collaborative's agency fund is used to account for student activities.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Collaborative reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Collaborative's financial instruments, see Note 2 – Cash and Investments.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Departmental and Other

Departmental and other receivables consist of various benefit payments which are under agreement with current and former employees to reimburse the Collaborative and tuition payments receivable from other Collaboratives for special education services provided.

Grants

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Intergovernmental

Amounts due from member and non-member school districts for services provided.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories for governmental activities are recorded as expenditures at the time of purchase and are not material. Inventories in the business-type activities are valued at cost determined on a first-in, first-out basis.

G. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, buildings and improvements, and machinery and equipment are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost could not be determine. Donated capital assets; donated works of art, historical treasurers and similar assets; capital assets received in service concession arrangements are recorded at acquisition value.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	20 - 40
Machinery and equipment.....	5 - 20
Vehicles.....	5 - 10

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

H. Deferred Outflows/Inflows of Resources

Government-Wide and Fund Financial Statements

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Collaborative did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Collaborative currently does not have elements that qualify for reporting in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it be available.

I. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the entity-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers within governmental funds are eliminated from the governmental activities in the statement of net activities.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Sometimes the Collaborative will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Collaborative's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (vote) of the Board of Directors who are the government's highest level of decision-making authority. Once adopted, the limitation imposed by the vote remains in place until all the funds are spent or until a similar action is taken to revise or rescind the limitation.

"Assigned" fund balance includes amounts that are constrained by the Collaborative's intent to be used for specific purposes, but are neither restricted nor committed. Fund balance can be assigned by a vote of the Board of Directors. Unlike commitments, assignments are carried over into the next year but any unspent amounts lapse at the end of the next year without any further action required.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has 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. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Massachusetts State Employee Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

O. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

S. Individual Fund Deficits

There were no individual fund deficits reported as of June 30, 2018.

NOTE 2 – CASH AND INVESTMENTS

The Collaborative maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents".

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Collaborative's deposits may not be returned to it. The Collaborative's investment policy requires all deposits to be insured or collateralized. At year-end, the carrying amount of deposits totaled \$1,036,263 and the bank balance totaled \$2,006,486. Of the bank balance, \$250,000 was covered by Federal Depository Insurance, and \$1,756,486 was fully collateralized.

The Corporation maintains its cash deposits in one checking account. At June 30, 2018, the Corporation's carrying balance for deposits and bank balance both totaled \$177, all of which was covered by Federal Depositors Insurance.

Investments

As of June 30, 2018, the Collaborative had investments with a fair value of \$4,422,585 in an overnight Repurchase Agreement (REPO). Under the terms of the REPO, the bank collects funds in excess of an agreed upon amount and invests the monies in a REPO. Investments are fully collateralized by U.S. Government securities. As of June 30, 2018, the carrying value of the REPO was \$4,422,585. The REPO is classified as an interest earning investment which is not subject to the fair value level disclosures.

As of June 30, 2018, the Collaborative had a balance of \$319,992 in an Other Postemployment Benefits Trust Fund, which was fully invested in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an internal investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in PRIT is the same as the value of PRIT shares. The net asset value of the Collaborative's investment in PRIT is \$319,992. The Collaborative does not have the ability to control any of the investment decisions relative to its funds in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.15 to 16.31 years.

As of June 30, 2018, the Corporation had an investment of with a fair value of \$2,274,227 in an overnight Repurchase Agreement (REPO). Under the terms of the REPO, the bank collects funds in excess of an agreed upon amount and invests the monies in a REPO. Investments are fully collateralized by U.S. Government securities. As of June 30, 2018, the carrying value of the REPO is \$2,172,904. The REPO is classified as an interest earning investment which is not subject to the fair value level disclosures.

Fair Value of Investments

The Collaborative and Corporation hold investments in REPOs that are measured at fair value on a recurring basis and the Collaborative's investment in PRIT is measured using net asset value. Because investing is not a core part of the Collaborative or the Corporation's mission, the Collaborative and the Corporation determine that the disclosures related to these investments only need to be disaggregated by major type. The Collaborative and the Corporation choose a narrative format for the fair value disclosures.

NOTE 3 – RECEIVABLES

At June 30, 2018, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Departmental and other.....	\$ 3,300	\$ -	\$ 3,300
Intergovernmental.....	<u>1,222,172</u>	<u>-</u>	<u>1,222,172</u>
Total.....	<u>\$ 1,225,472</u>	<u>\$ -</u>	<u>\$ 1,225,472</u>

At June 30, 2018, receivables for the enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Departmental and other.....	\$ 4,550	\$ -	\$ 4,550
Intergovernmental - other.....	328,239	-	328,239
Total.....	<u>\$ 332,789</u>	<u>\$ -</u>	<u>\$ 332,789</u>

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Collaborative:</i>				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 2,910,497	\$ 71,906	\$ (629,369)	\$ 2,353,034
Vehicles.....	163,097	-	-	163,097
Total capital assets being depreciated.....	<u>3,073,594</u>	<u>71,906</u>	<u>(629,369)</u>	<u>2,516,131</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(2,120,700)	(177,464)	629,369	(1,668,795)
Vehicles.....	(63,746)	(23,696)	-	(87,442)
Total accumulated depreciation.....	<u>(2,184,446)</u>	<u>(201,160)</u>	<u>629,369</u>	<u>(1,756,237)</u>
Total Collaborative governmental activities capital assets, net....	<u>889,148</u>	<u>(129,254)</u>	<u>-</u>	<u>759,894</u>
<u>Corporation blended component unit</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	<u>2,744,788</u>	<u>-</u>	<u>-</u>	<u>2,744,788</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	<u>21,835,396</u>	<u>217,417</u>	<u>-</u>	<u>22,052,813</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	<u>(6,284,265)</u>	<u>(692,661)</u>	<u>-</u>	<u>(6,976,926)</u>
Total capital assets being depreciated, net.....	<u>15,551,131</u>	<u>(475,244)</u>	<u>-</u>	<u>15,075,887</u>
Total Corporation capital assets, net.....	<u>18,295,919</u>	<u>(475,244)</u>	<u>-</u>	<u>17,820,675</u>
Total Governmental Activities capital assets, net.....	<u>\$ 19,185,067</u>	<u>\$ (604,498)</u>	<u>\$ -</u>	<u>\$ 18,580,569</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 80,358.00	\$ 4,642	\$ (37,058)	\$ 47,942
Vehicles.....	<u>11,456,797</u>	<u>937,285</u>	<u>(374,067)</u>	<u>12,020,015</u>
Total capital assets being depreciated.....	<u>11,537,155</u>	<u>941,927</u>	<u>(411,125)</u>	<u>12,067,957</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(85,000)	-	37,058	(47,942)
Vehicles.....	<u>(7,720,962)</u>	<u>(1,346,418)</u>	<u>374,067</u>	<u>(8,693,313)</u>
Total accumulated depreciation.....	<u>(7,805,962)</u>	<u>(1,346,418)</u>	<u>411,125</u>	<u>(8,741,255)</u>
Total capital assets being depreciated, net.....	<u>3,731,193</u>	<u>(404,491)</u>	<u>-</u>	<u>3,326,702</u>
Total governmental activities capital assets, net.....	<u>\$ 3,731,193</u>	<u>\$ (404,491)</u>	<u>\$ -</u>	<u>\$ 3,326,702</u>

Depreciation expense for governmental activities totaled \$893,821 and was unallocated, and depreciation expense for the transportation enterprise fund totaled \$1,346,418.

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES, AND PAYABLES

Interfund transfers

Interfund transfers for the year ended June 30, 2018, are summarized as follows:

	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Lower Pioneer Valley Educational Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Transfers Out:</u>				
General Fund.....	\$ -	\$ 730,000	\$ 233,609	\$ 963,609 (1)
Nonmajor governmental funds.....	135,066	-	-	135,066 (2)
Transportation enterprise fund.....	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>290,000 (3)</u>
Total.....	<u>\$ 135,066</u>	<u>\$ 1,020,000</u>	<u>\$ 233,609</u>	<u>\$ 1,388,675</u>

- 1) Transfers out of the general fund to the Corporation in accordance with an agreement between the two entities. Also, for transfers out of the general fund and into the nonmajor governmental funds.
- 2) Transfers out of nonmajor governmental funds into the general fund.
- 3) Transfers out of the transportation enterprise fund to the Corporation for rental payments in accordance with a lease agreement between the two entities.

Due to/from other funds

Interfund receivables and payables between funds at June 30, 2018, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund.....	Grants Funds.....	\$ 549,342 (1)
General fund.....	Non Major Fund.....	5,941 (1)
Lower Pioneer Valley Corporation.....	General fund.....	107,903 (2)
Lower Pioneer Valley Corporation.....	Transportation enterprise fund.....	<u>75,000 (2)</u>
Total.....		<u>\$ 738,186</u>

- (1) This is a temporary advance between funds for cash flow.
- (2) This represents payments due and not made at year end.

NOTE 6 – CAPITAL LEASES

The Collaborative has entered into several lease agreements to finance the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The Business-type capital leases represent capital leases for vehicles and buses purchased through capital leases for the operation of the transportation enterprise fund.

The remaining net value of assets acquired through capital leases totaled \$3,326,701.

The future minimum lease obligations and the present value of these minimum lease payments for the business-type activities, as of June 30, 2018 are listed below:

<u>Years ending June 30:</u>	<u>Business-Type Activities</u>
2019.....	\$ 574,117
2020.....	335,030
2021.....	335,028
2022.....	<u>99,004</u>
Total minimum lease payments.....	1,343,179
Less: amounts representing interest.....	<u>(38,854)</u>
Present value of minimum lease payments.....	<u>\$ 1,304,325</u>

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest on short-term borrowings are accounted for in the general fund.

The Collaborative had no short-term financing for year 2018.

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 43 of the Acts of 2012, the board of directors of an education collaborative may borrow money, enter into long-term or short-term loan agreements or mortgages and apply for state, federal or corporate grants or contracts to obtain funds necessary to carry out the purpose for which such collaborative is established; provided, however, that the board of directors has determined that any borrowing, loan or mortgage is cost-effective and in the best interest of the collaborative and its member cities or towns and charter schools. The borrowing, loans or mortgages shall be consistent with the written agreement and articles of incorporation of the education collaborative and shall be consistent with standard lending practices. The board of directors of an education collaborative shall notify each member school committee and charter school board within 30 calendar days of applying for real estate mortgages.

The Collaborative had no long-term financing for fiscal year 2018.

The Corporation had the following long-term financing activity during fiscal year 2018:

During fiscal year 2016, the Corporation borrowed \$12,075,000 through Massachusetts Development Finance Agency Revenue bonds (the bond). The bond has a fixed interest rate of 3.79%, with payments made monthly until September 2025 at which time there is a final balloon payment of \$6,940,000. At the end of 2018, the Corporation had \$10,791,000 of outstanding debt related to this issuance.

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Massachusetts Dvelopment Bond.....	2026	\$ 12,075,000	3.79	\$ 10,791,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019.....	\$ 491,250	\$ 400,535	\$ 891,785
2020.....	506,250	382,696	888,946
2021.....	519,000	362,239	881,239
2022.....	533,250	342,333	875,583
2023.....	550,500	321,835	872,335
2024.....	568,500	301,476	869,976
2025.....	584,250	278,831	863,081
2026.....	<u>7,038,000</u>	<u>66,770</u>	<u>7,104,770</u>
Total.....	\$ <u>10,791,000</u>	\$ <u>2,456,715</u>	\$ <u>13,247,715</u>

Changes in Long-term Liabilities

Long-term liabilities of the Corporation blended component unit are paid from the Corporation using the lease revenue paid from the Collaborative. Other long-term liabilities related to both governmental and business-type activities are normally paid from the General Fund and the Enterprise Funds, respectively.

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	<u>Beginning Balance (As Revised)</u>	<u>Bonds and Notes Issued</u>	<u>Bonds and Notes Redeemed</u>	<u>Other Increases</u>	<u>Other Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:							
Long-term bonds payable.....	\$ 11,268,000	\$ -	\$ (477,000)	\$ -	\$ -	\$ 10,791,000	\$ 491,250
Compensated absences.....	236,596	-	-	120,376	(80,233)	276,739	95,006
Other postemployment benefits.....	8,233,481	-	-	872,702	(1,254,358)	7,851,825	-
Total governmental activity long-term liabilities (as revised).....	\$ <u>19,738,077</u>	\$ <u>-</u>	\$ <u>(477,000)</u>	\$ <u>993,078</u>	\$ <u>(1,334,591)</u>	\$ <u>18,919,564</u>	\$ <u>586,256</u>
Business-Type Activities:							
Capital lease obligations.....	\$ 1,382,227	\$ -	\$ -	\$ 477,401	\$ (555,303)	\$ 1,304,325	\$ 554,740
Compensated absences.....	47,263	-	-	36,167	(32,270)	51,160	34,601
Other postemployment benefits.....	9,746,970	-	-	1,032,601	(1,484,414)	9,295,157	-
Total business-type activity long-term liabilities (as revised).....	\$ <u>11,176,460</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,546,169</u>	\$ <u>(2,071,987)</u>	\$ <u>10,650,642</u>	\$ <u>589,341</u>

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Collaborative has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Collaborative's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The Collaborative's spending policy is to spend restricted fund balance first, followed by committed, assigned, and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in the governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to other purposes, it may be necessary to report a negative unassigned fund balance in that fund.

As of June 30, 2018, the governmental fund balances consisted of the following:

	General	Grants Fund	Lower Pioneer Valley Educational Collaborative	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Restricted for:					
Lower Pioneer Valley Educational Collaborative.....	\$ -	\$ -	\$ 2,248,081	\$ -	\$ 2,248,081
Brush Hill Bistro.....	-	-	-	32,185	32,185
Early Education and Care.....	-	-	-	40,136	40,136
Landscaping.....	-	-	-	30,782	30,782
School Store.....	-	-	-	61	61
Building Rental.....	-	-	-	133,456	133,456
Graphic Communications.....	-	-	-	108	108
Professional Development.....	-	-	-	121,772	121,772
Machine Technology Program.....	-	-	-	14,723	14,723
Curriculum Instruction and Assessment.....	-	-	-	6,821	6,821
Assigned to:					
Encumbrances:					
Subsequent Years Expenditures.....	118,702	-	-	-	118,702
Capital Projects.....	1,067,849	-	-	-	1,067,849
Unassigned.....	<u>3,623,324</u>	<u>(22,380)</u>	<u>-</u>	<u>(6,031)</u>	<u>3,594,913</u>
Total Fund Balances.....	<u>\$ 4,809,875</u>	<u>\$ (22,380)</u>	<u>\$ 2,248,081</u>	<u>\$ 374,013</u>	<u>\$ 7,409,589</u>

NOTE 10 – RISK FINANCING

Scantic Valley Regional Health Trust

The Collaborative is a member of the Scantic Valley Regional Health Trust (Trust), a public entity risk pool, consisting of four other towns from neighboring geographic area, with whom the Collaborative shares the risk of providing health care to eligible active and former employees.

The Collaborative pays monthly premiums to the Trust. These payments are funded in part from the Collaborative, and payroll withholdings from active employees, or direct payments from retired employees. In general, the Collaborative pays 70% of the cost of insurance for active employees and 50% of the cost of insurance for retired and other past employees who may be eligible to participate in the plan.

In accordance with the agreement between the Collaborative and the Trust, the Collaborative makes payments to the Trust in the form of monthly premiums based upon actual employee enrollment. The Trust makes payment, through a third-party administrator for actual health claims incurred for the entire Trust. At the end of the Trust's year, the Trust's insurance consultant will determine if assets are sufficient to meet the liabilities of the Trust on an accrual and premium rates adjusted to meet the anticipated needs of the ensuing year. It is anticipated that if claim liabilities exceed assets, premium rates will be adjusted prospectively to recover the necessary assets to meet claims. Assets of the Trust, which are in excess of claims computed on an actuarial basis, can be used to reduce prospective premium rates assessed to members.

The Trust reported an accumulated surplus of \$5,982,891 as of June 30, 2017, (its most recently issued report).

Commercial Liability Insurance

The Collaborative is exposed to various risks of loss relating to torts; theft or damage of, and destruction of assets, errors or omissions; injuries to employees; and natural disasters. The Collaborative has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 11 – PENSION PLAN*Plan Descriptions*

The Collaborative is a member of the Massachusetts State Employees' Retirement System (MSERS), a public employee retirement system that administers a cost-sharing multi-employer defined benefit plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The MSERS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

The Collaborative is also a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situations

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Collaborative's teachers and retired teachers to the MTRS. Therefore, the Collaborative is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Collaborative does not contribute directly to MTRS, the Collaborative does not have a net pension liability. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$1,517,643 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$14,450,587 as of the measurement date.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching 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. Therefore, the Collaborative does not have a net pension liability. The Collaborative's required contribution to MSERS equaled its actual contribution for the year ended December 31, 2017 was \$416,428 and 5.6% of covered payroll.

The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the non-teaching employees' of the Collaboratives and therefore has a 100% special funding situation. The total of the Commonwealth provided contributions are allocated based on each employer's covered payroll to the total covered payroll of employers in MSERS as of the measurement date of June 30, 2017. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$2,260,276 is reported as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$17,468,300 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The Collaborative administers a single-employer defined benefit healthcare plan ("The Retiree Health Plan") that is governed by the Board of Directors. The plan provides health, dental and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan by the Board of Directors. Plan provisions are negotiated between the Collaborative and plan members. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – The required contribution is based on a pay-as-you-go financing requirement. The Collaborative contributes 70 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 30 percent of their premium costs. For 2018, the Collaborative contributed approximately \$217,000 to the plan which consisted of the pay-as-you-go financing requirement for plan benefits.

The Commonwealth of Massachusetts passed special legislation that has allowed the Collaborative to establish the other postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2018, the Collaborative did not pre-fund future OPEB liabilities by contributing funds to the OPEB trust fund in excess of the pay-as-you-go required contribution. As of June 30, 2018, the net position of the OPEB trust fund totaled \$319,992.

Investment Policy – The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Collaborative’s investment policy.

Measurement Date – GASB #74 and GASB #75 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017 updated to June 30, 2018.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2018:

Active members.....	204
Retirees.....	<u>56</u>
Total.....	<u><u>260</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2018:

Total OPEB liability.....	\$ 17,466,974
Less: OPEB plan's fiduciary net position.....	<u>(319,992)</u>
Net OPEB liability.....	<u><u>\$ 17,146,982</u></u>
The OPEB plan's fiduciary net position	
as a percentage of the total OPEB liability.....	1.83%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2017 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2018 to be in accordance with GASB Statement #74 and #75:

Valuation date.....	7/1/2017; updated to June 30, 2018
Actuarial cost method.....	Entry Age Actuarial Cost Method
Health Care Trend Rates.....	Pre-65 Rates: 6.0%; Post 65 Rates: 5.0%
Actuarial Value of Assets.....	Market Value
Discount rate.....	A discount rate of 3.87% was used in the final calculation for the fiscal year ending June 30, 2018. The discount rate was based on the Bond Buyer’s 20 Bond Index.
Inflation rate.....	2.5%
Projected salary increases.....	3.00%
Payroll growth.....	2.5%
Mortality rates.....	RPH-2014 Total Dataset mortality table with mortality improvements projected by Scale MP-2017 on a generational basis.

Rate of Return - For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) that are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation along with a risk factor. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2018 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Global equity.....	40.00%	4.26%
Core fixed income.....	12.00%	5.26%
Value added fixed income.....	10.00%	6.13%
Private equity.....	11.00%	12.93%
Real estate.....	10.00%	4.69%
Timberland.....	4.00%	7.05%
Portfolio completion strategies.....	13.00%	2.65%
Total.....	100.00%	

Discount Rate – The discount rate is a blend of the long-term expected rate of return on the OPEB Trust assets and a yield or index for 20 year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher shown on Bond Buyer’s 20 Bond Index as of June 30, 2018. The blending is based on the sufficiency of projected assets to make projected benefit payments. The assets in the trust are currently not sufficient to make projected benefit payments therefore the risk free rate of 3.87% was used.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.87%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability..... \$	23,473,038	\$ 17,146,982	\$ 16,405,042

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 9.00% decreasing to 5.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (8.00% decreasing to 4.00%) or 1-percentage-point higher (10.00% decreasing to 6.00%).

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB liability..... \$	14,114,604	17,146,982	21,101,568

Changes in Assumptions – The discount rate changed from 3.13% as of June 30, 2017 to 3.87% as of June 30, 2018.

Changes in Plan Provisions – None

Changes in the Net OPEB Liability -

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017..... \$	18,272,611	292,160	17,980,451
Changes for the year:			
Service cost.....	1,299,777	-	1,299,777
Interest.....	605,526	-	605,526
Changes of benefit terms.....	-	-	-
Differences between expected and actual experience.....	(118,623)	27,832	(146,455)
Changes in assumptions and other inputs.....	(2,374,871)	-	(2,374,871)
Employer contributions.....	-	217,446	(217,446)
Benefit payments.....	(217,446)	(217,446)	-
Net change.....	(805,637)	27,832	(833,469)
Balances at June 30, 2018..... \$	17,466,974	319,992	17,146,982

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2017, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$833,469. At June 30, 2017, the Town reported deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Inflows of Resources
Difference between projected and actual earnings, net.....	\$ (14,950)
Changes in assumptions.....	(1,881,135)
Total deferred outflows/(inflows) of resources.....	\$ (1,896,085)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the year ended June 30:

2019.....	\$	(497,473)
2020.....		(497,473)
2021.....		(497,473)
2022.....		<u>(403,666)</u>
Total.....	\$	<u><u>(1,896,085)</u></u>

NOTE 13 – CONTINGENCIES

The Collaborative participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2018, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

NOTE 14 – BLENDED COMPONENT UNIT TRANSACTIONS

Effective July 1, 2017, the Collaborative restructured operating leases with the Corporation for the use of various facilities in their programs. Lease payments made to the Corporation during 2018 totaled \$1,020,000.

Under the new terms, all of the operating leases will expire on June 30, 2022 with various options for extensions. Based on the renegotiated operating lease agreements, future operating lease payments to the Corporation will be as follows:

Years Ending June 30	Governmental Activities	Business-Type Activities	Total
2019.....	\$ 730,000	\$ 290,000	\$ 1,020,000
2020.....	730,000	290,000	1,020,000
2021.....	730,000	290,000	1,020,000
2022.....	<u>730,000</u>	<u>290,000</u>	<u>1,020,000</u>
Total lease payments.....	\$ <u><u>2,920,000</u></u>	\$ <u><u>1,160,000</u></u>	\$ <u><u>4,080,000</u></u>

During 2018, Collaborative contributed for expenditures related to the machine technology program, Agawam garage expenditures, and other expenditures for \$211,257, \$10,317, and \$12,035, respectively.

The effects of all transactions between the governmental activities of the Collaborative and the Corporation have been eliminated through the blending of the component unit with the governmental funds in the fund based financial statements and with the governmental activities in the government-wide financial statements.

NOTE 15 – REVISED BALANCES

Beginning net position of governmental activities, business-type activities and each applicable enterprise fund has been revised to reflect the implementation of GASB Statement #75. The revised balances are summarized in the following table:

	06/30/2017 Previously Reported Balances	Implementation of GASB #75	06/30/2017 Revised Balances
Government-Wide Financial Statements			
Governmental activities.....	\$ 6,307,857	\$ 139,036	\$ 6,446,893
Business-type activities.....	<u>(7,196,416)</u>	<u>164,594</u>	<u>(7,031,822)</u>
Total.....	<u>\$ (888,559)</u>	<u>\$ 303,630</u>	<u>\$ (584,929)</u>
Business-type Activities - Enterprise Funds			
Transportation enterprise fund.....	<u>\$ (7,196,416)</u>	<u>\$ 164,594</u>	<u>\$ (7,031,822)</u>

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2018, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.
- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2018

	Revenues and Other Financing Sources				
	Budgeted Amounts			Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Budget Adjustments	Final Budget		
Administration:					
General Administration:					
Use of Unreserved Fund Balance.....	\$ -	\$ 1,650,494	\$ 1,650,494	\$ -	\$ (1,650,494)
Interest and other miscellaneous.....	-	-	-	17,211	17,211
Administration Coordination.....	-	-	-	-	-
Fringe Benefits.....	-	-	-	-	-
Administration Costs Applied to Other Programs.....	-	-	-	-	-
Total Administration, Net.....	-	1,650,494	1,650,494	17,211	(1,633,283)
Special Education:					
Programs:					
Career Skills.....	266,011	-	266,011	388,199	122,188
Summer School - Career Preparation.....	321,705	-	321,705	353,767	32,062
Twain Alternative High School.....	507,631	-	507,631	510,988	3,357
Vocational Preparation.....	271,692	-	271,692	281,973	10,281
Asperger.....	384,675	-	384,675	437,445	52,770
Autism.....	767,598	-	767,598	722,326	(45,272)
Integrated Occupational Preparation.....	608,405	-	608,405	556,235	(52,170)
Transitional Alternative.....	148,361	-	148,361	137,830	(10,531)
Brush Hill Academy.....	512,459	-	512,459	434,146	(78,313)
Total Programs.....	3,788,537	-	3,788,537	3,822,909	34,372
Shared Services:					
Coordination.....	-	-	-	-	-
Costs Applied to Other Programs.....	-	-	-	-	-
Coordination, Net.....	-	-	-	-	-
Nurses.....	-	-	-	-	-
Costs Applied to Other Programs.....	-	-	-	-	-
Nurses, Net.....	-	-	-	-	-
Adaptive Physical Education.....	-	-	-	-	-
Costs Applied to Other Programs.....	-	-	-	-	-
Adaptive Physical Education, Net.....	-	-	-	-	-
Total Shared Services.....	-	-	-	-	-
Total Special Education.....	3,788,537	-	3,788,537	3,822,909	34,372

Expenditures and Other Financing Uses

<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual Budgetary Amounts</u>	<u>Variance to Final Budget</u>	<u>Actual Net Changes in Fund Balance</u>
\$ -	\$ 1,650,494	\$ 1,650,494	\$ 489,045	1,161,449	\$ (489,045)
-	-	-	-	-	17,211
1,252,845	-	1,252,845	1,069,866	182,979	(1,069,866)
3,671,386	-	3,671,386	3,299,515	371,871	(3,299,515)
(4,924,231)	-	(4,924,231)	(4,548,619)	(375,612)	4,548,619
<u>-</u>	<u>1,650,494</u>	<u>1,650,494</u>	<u>309,807</u>	<u>1,340,687</u>	<u>(292,596)</u>
266,011	-	266,011	253,484	12,527	134,715
321,705	-	321,705	300,708	20,997	53,059
507,631	-	507,631	449,817	57,814	61,171
271,692	-	271,692	226,420	45,272	55,553
384,675	-	384,675	361,965	22,710	75,480
767,598	-	767,598	743,540	24,058	(21,214)
608,405	-	608,405	558,639	49,766	(2,404)
148,361	-	148,361	140,594	7,767	(2,764)
512,459	-	512,459	451,671	60,788	(17,525)
<u>3,788,537</u>	<u>-</u>	<u>3,788,537</u>	<u>3,486,838</u>	<u>301,699</u>	<u>336,071</u>
1,374,519	-	1,374,519	1,243,883	130,636	(1,243,883)
(1,374,519)	-	(1,374,519)	(1,248,630)	(125,889)	1,248,630
-	-	-	(4,747)	4,747	4,747
82,112	-	82,112	72,476	9,636	(72,476)
(82,112)	-	(82,112)	(72,477)	(9,635)	72,477
-	-	-	(1)	1	1
215,835	-	215,835	177,853	37,982	(177,853)
(215,835)	-	(215,835)	(206,241)	(9,594)	206,241
-	-	-	(28,388)	28,388	28,388
-	-	-	(33,136)	33,136	33,136
<u>3,788,537</u>	<u>-</u>	<u>3,788,537</u>	<u>3,453,702</u>	<u>334,835</u>	<u>369,207</u>

(continued)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2018

	Revenues and Other Financing Sources				
	Budgeted Amounts			Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Budget Adjustments	Final Budget		
Occupational Education:					
Tuition Allocated to Occupational Education Programs.....	5,406,841	-	5,406,841	5,352,086	(54,755)
Coordination.....	-	-	-	-	-
Nursing.....	-	-	-	-	-
Allied Health.....	-	-	-	-	-
Automotive.....	-	-	-	-	-
Building Trades.....	-	-	-	-	-
Information Services Systems.....	-	-	-	-	-
Design and Visual Communications.....	-	-	-	-	-
Early Education.....	-	-	-	-	-
Fashion Design.....	-	-	-	-	-
Food Services.....	-	-	-	-	-
Landscaping and Horticultural.....	-	-	-	-	-
Building and Grounds Maintenance.....	-	-	-	-	-
Technical Exploratory.....	-	-	-	-	-
Vocational Guidance.....	-	-	-	-	-
Cosmetology.....	-	-	-	-	-
Cooperative Education/Student Support Services.....	-	-	-	-	-
Machine Technology Program Certified Personnel.....	-	-	-	-	-
Total Occupational Education.....	5,406,841	-	5,406,841	5,352,086	(54,755)
Supplemental Services:					
Individual Aides.....	454,985	-	454,985	534,826	79,841
Massachusetts Association of School Business Officials (MASBO).....	6,000	-	6,000	4,800	(1,200)
Medicaid.....	485,235	-	485,235	552,593	67,358
Summer Developmental.....	65,312	-	65,312	-	(65,312)
Maintenance.....	-	-	-	-	-
Maintenance Applied to Other Programs.....	-	-	-	-	-
Technical Support.....	-	-	-	-	-
Technical Support Applied to Other Programs.....	-	-	-	-	-
Contracted Therapy Services.....	242,250	-	242,250	225,706	(16,544)
Supplemental Services.....	40,000	-	40,000	62,276	22,276
Southern Berkshire Collaborative.....	262,231	-	262,231	271,753	9,522
Energy Management.....	25,983	-	25,983	38,181	12,198
Innovative Research in Education.....	220,465	-	220,465	37,980	(182,485)
Total Supplemental Services.....	1,802,461	-	1,802,461	1,728,115	(74,346)
Professional Development:					
General Operations.....	-	-	-	-	-
Professional Development Applied to Other Programs...	-	-	-	-	-
Total Professional Development, Net.....	-	-	-	-	-
Other Financing Sources and Uses:					
Transfers in.....	-	-	-	135,066	135,066
Transfers out.....	-	-	-	-	-
Total Other Financing Sources and Uses.....	-	-	-	135,066	135,066
NET CHANGE IN FUND BALANCE.....	\$ 10,997,839	\$ 1,650,494	\$ 12,648,333	\$ 11,055,387	\$ (1,592,946)
BUDGETARY FUND BALANCE, Beginning of year.....					
BUDGETARY FUND BALANCE, End of year.....					

See notes to required supplementary information.

Expenditures and Other Financing Uses

<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual Budgetary Amounts</u>	<u>Variance to Final Budget</u>	<u>Actual Net Changes in Fund Balance</u>
-	-	-	-	-	5,352,086
2,643,061	-	2,643,061	1,796,934	846,127	(1,796,934)
65,745	-	65,745	65,255	490	(65,255)
181,646	-	181,646	129,387	52,259	(129,387)
228,579	-	228,579	221,518	7,061	(221,518)
213,967	-	213,967	212,064	1,903	(212,064)
179,171	-	179,171	152,720	26,451	(152,720)
277,023	-	277,023	270,324	6,699	(270,324)
160,651	-	160,651	160,650	1	(160,650)
91,113	-	91,113	84,583	6,530	(84,583)
264,983	-	264,983	182,174	82,809	(182,174)
169,397	-	169,397	141,751	27,646	(141,751)
130,246	-	130,246	130,239	7	(130,239)
26,723	-	26,723	26,557	166	(26,557)
184,001	-	184,001	181,168	2,833	(181,168)
245,487	-	245,487	244,373	1,114	(244,373)
240,257	-	240,257	238,486	1,771	(238,486)
104,791	-	104,791	121,019	(16,228)	(121,019)
<u>5,406,841</u>	<u>-</u>	<u>5,406,841</u>	<u>4,359,202</u>	<u>1,047,639</u>	<u>992,884</u>
454,985	-	454,985	510,773	(55,788)	24,053
6,000	-	6,000	4,108	1,892	692
485,235	-	485,235	446,076	39,159	106,517
65,312	-	65,312	57,515	7,797	(57,515)
210,795	-	210,795	182,267	28,528	(182,267)
(210,795)	-	(210,795)	(183,241)	(27,554)	183,241
198,548	-	198,548	149,444	49,104	(149,444)
(198,548)	-	(198,548)	(150,166)	(48,382)	150,166
242,250	-	242,250	224,110	18,140	1,596
40,000	-	40,000	62,276	(22,276)	-
262,231	-	262,231	261,537	694	10,216
25,983	-	25,983	22,670	3,313	15,511
220,465	-	220,465	48,952	171,513	(10,972)
<u>1,802,461</u>	<u>-</u>	<u>1,802,461</u>	<u>1,636,321</u>	<u>166,140</u>	<u>91,794</u>
209,021	-	209,021	178,663	30,358	(178,663)
(209,021)	-	(209,021)	(178,663)	(30,358)	178,663
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	135,066
-	-	-	963,609	(963,609)	(963,609)
-	-	-	963,609	(963,609)	(828,543)
<u>\$ 10,997,839</u>	<u>\$ 1,650,494</u>	<u>\$ 12,648,333</u>	<u>\$ 10,722,641</u>	<u>\$ 1,925,692</u>	332,746
					<u>4,477,129</u>
					<u>\$ 4,809,875</u>

(concluded)

Collaborative Pension Plan Schedules

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts State Employees Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Collaborative along with related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Collaborative along with related ratios.

The Schedule of Collaborative's Contributions presents multi-year trend information on the Collaborative's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by 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 and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the collaborative's required and actual contribution for the normal cost; covered payroll; and contributions recognized by the pension plan in relation to the covered payroll.

Year	LPVEC's Statutory Required and Actual Contribution for Normal Cost	LPVEC's Covered Payroll	The Amount of Contributions Recognized by the Pension Plan in Relation to the Covered Payroll
2018.....	\$ 416,428	\$ 7,436,214	5.60%
2017.....	447,767	7,995,839	5.60%
2016.....	412,554	7,367,036	5.60%
2015.....	426,191	7,610,554	5.60%

Note: 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.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM**

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the non teacher employees and retirees covered under the Massachusetts State Employees Retirement System.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by 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 and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the collaborative; the portion of the collective pension expense as both a revenue and pension expense recognized by the collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2018.....	\$ 17,468,300	\$ 2,260,276	67.21%
2017.....	19,794,449	2,749,016	63.48%
2016.....	15,322,045	1,710,376	67.87%
2015.....	10,665,423	758,423	76.32%

Note: 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.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the teacher and retired teachers covered under the Massachusetts Teachers' Retirement System.

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2018.....	\$ 14,540,587	\$ 1,517,643	54.25%
2017.....	14,518,498	1,480,982	52.73%
2016.....	12,931,812	1,048,885	55.38%
2015.....	10,417,880	723,780	61.64%

Note: 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.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Collaborative's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of the Collaborative's Contributions presents multi-year trend information on the Collaborative's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

**SCHEDULE OF CHANGES IN THE
COLLABORATIVE'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018
Total OPEB Liability		
Service Cost.....	\$ 1,133,379	\$ 1,299,777
Interest.....	609,448	605,526
Changes of benefit terms.....	-	-
Differences between expected and actual experience....	-	(118,623)
Changes of assumptions.....	-	(2,374,871)
Benefit payments.....	<u>(238,707)</u>	<u>(217,446)</u>
Net change in total OPEB liability.....	1,504,120	(805,637)
Total OPEB liability - beginning.....	<u>16,768,491</u>	<u>18,272,611</u>
Total OPEB liability - ending (a).....	<u>\$ 18,272,611</u>	<u>\$ 17,466,974</u>
Plan fiduciary net position		
Employer contributions for OPEB payments.....	\$ 238,707	\$ 217,446
Net investment income.....	33,136	27,832
Benefit payments.....	<u>(238,707)</u>	<u>(217,446)</u>
Net change in plan fiduciary net position.....	33,136	27,832
Plan fiduciary net position - beginning of year.....	<u>259,024</u>	<u>292,160</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 292,160</u>	<u>\$ 319,992</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 17,980,451</u>	<u>\$ 17,146,982</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.60%	1.83%
Covered-employee payroll.....	\$ 10,479,682	\$ 10,689,276
Net OPEB liability as a percentage of covered-employee payroll.....	171.57%	160.41%

Note: 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.

See notes to required supplementary information.

**SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee- payroll	Contributions as a percentage of covered- employee payroll
June 30, 2018.....	\$ 1,905,303	\$ (217,446)	\$ 1,687,857	\$ 10,689,276	2.03%
June 30, 2017.....	1,742,827	(238,707)	1,504,120	10,479,682	2.28%

Note: 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.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2018.....	9.53%
June 30, 2017.....	12.79%

Note: 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.

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Collaborative adopts a balanced budget that is approved by the District Board. The Director of Finance presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Board, which has the full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the budget subsequent to the approval of the annual budget require majority Board approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

The Collaborative adopts an annual budget for the General Fund in conformity with the guidelines described above. The original year 2018 approved budget for the General Fund authorized approximately \$11 million in appropriations. Additions to the budget of \$490,000 made by the Board were funded by the use of prior year fund balance.

The Collaborative’s accounting office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Collaborative’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, a budgetary basis of accounting is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2018, is presented below:

Net change in fund balance - budgetary basis.....	\$ 332,746
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	3,777,919
Recognition of expenditures for on-behalf payments.....	<u>(3,777,919)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 332,746</u>

NOTE B – PENSION PLAN

Pension Plan Schedules

A. Schedule of Collaborative’s Contributions

A special funding situation was created by Massachusetts General Laws for all Educational Collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching 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.

B. Schedules of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the Collaborative which create two special funding situations:

- The MSERS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the portion of the collective pension expense as both revenue and pension expense recognized by the Collaborative; and the Plan's fiduciary net position as a percentage of the total liability.
- The MTRS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the portion of the collective pension expense as both revenue and pension expense recognized by the Collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

NOTE C – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Collaborative administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The Plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Collaborative’s health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan**The Schedule of Changes in the Collaborative’s Net Other Postemployment Benefit Liability and Related Ratios**

The Schedule of Changes in the Collaborative’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered-employee payroll.

Schedule of the Collaborative’s Contributions

The Schedule of the Collaborative’s Contributions includes the Collaborative’s annual required contributions to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Collaborative is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry Age Normal
Asset valuation method.....	Market Value
Investment rate of return.....	3.87%
Discount rate.....	3.87%
Inflation rate.....	2.50%
Projected salary increases.....	2.50%

Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes of Assumptions – The discount rate changed from 3.13% as of June 30, 2017 to 3.87% as of June 30, 2018.

Changes in Provisions - None

Other Supplementary Information

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Combining and Individual Fund Statements

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Brush Hill Bistro – This culinary arts program prepares students for careers in hotels, restaurants, resorts, institutions and corporations. Students operate a fully equipped commercial kitchen and dining room encompassing restaurant, banquet, and buffet services through the two student run restaurants: the morning Java Café, serving breakfast, and the Brush Hill Bistro, serving lunch, which are open to the general public two days a week. This fund is used to account for sales generated through these restaurants.

Early Education and Care Program – Students in this program will experience a combination of classroom instruction and hands on experience with children from ages 6 weeks through 6 years of age. Students will also understand and be familiar with many aspects of child development from infancy through elementary school years. The students who are in the EEC program use the Early Learning Center as their work-related experience to receive licensure as an Early Education and Care provider. The Early Learning Center is a part of the Collaborative, and is licensed by the Massachusetts Department of Early Education and Care.

Landscaping – This program offers a comprehensive competency based course that explores career areas in landscape maintenance, construction and design, greenhouse production, nursery production, floriculture, and retail garden center operation. This fund is used to account for sales generated through residential landscaping projects, greenhouse sales, and floral projects.

School Lunch – This fund is used to account for all cafeteria activities and is funded by user charges.

School Store – This fund is used to account for all school store activities and is funded by sales from the school store.

Building Rental – This fund is used to account for school space leased to the Preschool Enrichment Team. Rental income is used to offset rental fees paid to the Corporation and associated utility costs.

Graphic Communication – This program prepares students for a wide range of career opportunities in the graphic arts and communications industry. This fund is used to account for shop sales generated from this program.

Professional Development – This fund is used to account for professional development programs offered through the Collaborative.

Machine Technology Program - The Machine Technology program features a state-of-the-art facility that includes the latest in technology including Computer Numeric Control (CNC) milling machines and lathes as well as a computer lab for CAD/CAM instruction. The Machine Technology program offers students the opportunity to experience the latest technology in the machine tool industry. Machine tool technology students receive training through hands-on experience that replicates operations used in industry. Metal parts are produced through the use of lathes, millers, surface grinders, and Computerized Numerical Control (C.N.C.) machines. The program provides students the opportunity to learn all the skills demanded of the 21st Century machinist. Students follow a course sequence that starts with the basics of manual machining and progresses to advanced multi-axis CNC programming, setup, and operation. Qualified and skilled machinists are presently in high demand and students completing our program are ready to immediately enter the workforce or continue their education in college.

Curriculum Instruction and Assessment Program - The Curriculum Instruction and Assessment program is established to finance professional development and its delivery within the Lower Pioneer Valley Educational Collaborative. This is funded through out-of-district professional development offerings, and member district-tailored specific professional development offerings.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital assets other than those financed by the Transportation Enterprise Fund.

Lower Pioneer Valley Educational Corporation – This fund is used to account for capital acquisitions by the Lower Pioneer Valley Educational Corporation that are reimbursed by governmental activities of the Collaborative.

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2018

	Special Revenue Funds					
	Brush Hill Bistro	Early Education and Care	Landscaping	School Lunch	School Store	Building Rental
ASSETS						
Cash and cash equivalents.....	\$ 32,185	\$ 47,312	\$ 35,444	\$ -	\$ 61	\$ 130,456
Receivables, net of uncollectibles:						
Departmental and other.....	-	-	300	-	-	3,000
TOTAL ASSETS.....	\$ 32,185	\$ 47,312	\$ 35,744	\$ -	\$ 61	\$ 133,456
LIABILITIES						
Warrants payable.....	\$ -	\$ -	\$ 4,962	\$ 90	\$ -	\$ -
Accrued payroll.....	-	7,176	-	-	-	-
Due to other funds.....	-	-	-	5,941	-	-
TOTAL LIABILITIES.....	-	7,176	4,962	6,031	-	-
FUND BALANCES						
Restricted.....	32,185	40,136	30,782	-	61	133,456
Unassigned.....	-	-	-	(6,031)	-	-
TOTAL FUND BALANCES.....	32,185	40,136	30,782	(6,031)	61	133,456
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 32,185	\$ 47,312	\$ 35,744	\$ -	\$ 61	\$ 133,456

Special Revenue Funds					Capital Project Funds	
Graphic Communication	Professional Development	Marine Technology Program	Curriculum Instruction and Assessment	Subtotal	Lower Pioneer Valley Corportation Capital Fund	Total Nonmajor Governmental Funds
\$ 315	\$ 122,183	\$ 14,723	\$ 6,821	\$ 389,500	\$ -	\$ 389,500
-	-	-	-	3,300	-	3,300
<u>\$ 315</u>	<u>\$ 122,183</u>	<u>\$ 14,723</u>	<u>\$ 6,821</u>	<u>\$ 392,800</u>	<u>\$ -</u>	<u>\$ 392,800</u>
\$ 207	\$ 411	\$ -	\$ -	\$ 5,670	\$ -	\$ 5,670
-	-	-	-	7,176	-	7,176
-	-	-	-	5,941	-	5,941
<u>207</u>	<u>411</u>	<u>-</u>	<u>-</u>	<u>18,787</u>	<u>-</u>	<u>18,787</u>
108	121,772	14,723	6,821	380,044	-	380,044
-	-	-	-	(6,031)	-	(6,031)
<u>108</u>	<u>121,772</u>	<u>14,723</u>	<u>6,821</u>	<u>374,013</u>	<u>-</u>	<u>374,013</u>
<u>\$ 315</u>	<u>\$ 122,183</u>	<u>\$ 14,723</u>	<u>\$ 6,821</u>	<u>\$ 392,800</u>	<u>\$ -</u>	<u>\$ 392,800</u>

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

YEAR ENDED JUNE 30, 2018

	Special Revenue Funds					
	Brush Hill Bistro	Early Education and Care	Landscaping	School Lunch	School Store	Building Rental
REVENUES:						
Member district assessments.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,000
Departmental and other.....	13,206	76,695	13,040	44,447	3,004	-
TOTAL REVENUES.....	13,206	76,695	13,040	44,447	3,004	24,000
EXPENDITURES:						
Current:						
Special education.....	-	-	-	-	-	-
Supplemental services.....	9,407	62,114	16,560	64,316	4,702	55,777
Capital outlay.....	-	-	-	-	-	-
TOTAL EXPENDITURES.....	9,407	62,114	16,560	64,316	4,702	55,777
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,799	14,581	(3,520)	(19,869)	(1,698)	(31,777)
OTHER FINANCING SOURCES (USES):						
Transfers in.....	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES.....	3,799	14,581	(3,520)	(19,869)	(1,698)	(31,777)
FUND BALANCES AT BEGINNING OF YEAR.....	28,386	25,555	34,302	13,838	1,759	165,233
FUND BALANCES AT END OF YEAR.....	\$ 32,185	\$ 40,136	\$ 30,782	\$ (6,031)	\$ 61	\$ 133,456

Special Revenue Funds					Capital Project Funds	
Graphic Communication	Professional Development	Marine Technology Program	Curriculum Instruction and Assessment	Subtotal	Lower Pioneer Valley Corporation Capital Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 24,000	\$ -	\$ 24,000
3,239	21,464	4,250	11,540	190,885	-	190,885
3,239	21,464	4,250	11,540	214,885	-	214,885
-	23,939	-	-	23,939	-	23,939
5,916	533	2,045	14,380	235,750	-	235,750
-	-	-	-	-	233,609	233,609
5,916	24,472	2,045	14,380	259,689	233,609	493,298
(2,677)	(3,008)	2,205	(2,840)	(44,804)	(233,609)	(278,413)
-	-	-	-	-	233,609	233,609
(2,677)	(3,008)	2,205	(2,840)	(44,804)	-	(44,804)
2,785	124,780	12,518	9,661	418,817	-	418,817
\$ 108	\$ 121,772	\$ 14,723	\$ 6,821	\$ 374,013	\$ -	\$ 374,013

Agency Fund

This fund is used primarily to account for student activity transactions.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2018

	June 30, 2017	Additions	Deletions	June 30, 2018
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 43,076	\$ 25,578	\$ (30,050)	\$ 38,604
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	675	1,033	(1,502)	206
TOTAL ASSETS.....	<u>\$ 43,751</u>	<u>\$ 26,611</u>	<u>\$ (31,552)</u>	<u>\$ 38,810</u>
LIABILITIES				
Liabilities due depositors.....	<u>\$ 43,751</u>	<u>\$ 26,611</u>	<u>\$ (31,552)</u>	<u>\$ 38,810</u>

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Statistical Section



Students from the culinary arts program and Brush Hill Bistro

Statistical Section

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Collaborative's overall financial health.

Financial Trends

- These schedules contain trend information to help the reader understand how the Collaborative's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the Collaborative's most significant local revenue source.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the Collaborative's current levels of outstanding debt and the Collaborative's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Collaborative's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the Collaborative's financial report relates to the services the Collaborative provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the Collaborative's annual financial statements and budget reports for the relevant year.

Net Position By Component

Last Ten Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets.....	\$ 9,859	\$ 73,187	\$ 192,518	\$ 3,963,084	\$ 4,165,536	\$ 4,402,478	\$ 4,776,373	\$ 6,868,923	\$ 7,917,067	\$ 7,789,569
Restricted.....	11,116	-	316,105	-	-	-	-	-	-	-
Unrestricted.....	<u>1,943,710</u>	<u>2,808,404</u>	<u>1,306,625</u>	<u>1,812,428</u>	<u>2,198,999</u>	<u>1,745,553</u>	<u>1,060,508</u>	<u>(602,330)</u>	<u>(1,470,174)</u>	<u>(1,621,307)</u>
Total governmental activities net position.....	<u>\$ 1,964,685</u>	<u>\$ 2,881,591</u>	<u>\$ 1,815,248</u>	<u>\$ 5,775,512</u>	<u>\$ 6,364,535</u>	<u>\$ 6,148,031</u>	<u>\$ 5,836,881</u>	<u>\$ 6,266,593</u>	<u>\$ 6,446,893</u>	<u>\$ 6,168,262</u>
Business-type activities										
Net investment in capital assets.....	\$ 1,085,902	\$ 1,219,653	\$ 1,554,475	\$ 2,206,350	\$ 2,908,479	\$ 3,263,981	\$ 3,259,242	\$ 3,053,815	\$ 2,348,966	\$ 2,022,377
Restricted.....	300,000	300,000	-	-	-	-	-	-	-	-
Unrestricted.....	<u>(250,907)</u>	<u>(273,692)</u>	<u>(3,395,446)</u>	<u>(6,217,414)</u>	<u>(8,350,548)</u>	<u>(9,612,898)</u>	<u>(10,067,381)</u>	<u>(9,813,770)</u>	<u>(9,380,788)</u>	<u>(9,685,116)</u>
Total business-type activities net position.....	<u>\$ 1,134,995</u>	<u>\$ 1,245,961</u>	<u>\$ (1,840,971)</u>	<u>\$ (4,011,064)</u>	<u>\$ (5,442,069)</u>	<u>\$ (6,348,917)</u>	<u>\$ (6,808,139)</u>	<u>\$ (6,759,955)</u>	<u>\$ (7,031,822)</u>	<u>\$ (7,662,739)</u>
Primary government										
Net investment in capital assets.....	\$ 1,095,761	\$ 1,292,840	\$ 1,746,993	\$ 6,169,434	\$ 7,074,015	\$ 7,666,459	\$ 8,035,615	\$ 9,922,738	\$ 10,266,033	\$ 9,811,946
Restricted.....	311,116	300,000	316,105	-	-	-	-	-	-	-
Unrestricted.....	<u>1,692,803</u>	<u>2,534,712</u>	<u>(2,088,821)</u>	<u>(4,404,986)</u>	<u>(6,151,549)</u>	<u>(7,867,345)</u>	<u>(9,006,873)</u>	<u>(10,416,100)</u>	<u>(10,850,962)</u>	<u>(11,306,423)</u>
Total primary government net position.....	<u>\$ 3,099,680</u>	<u>\$ 4,127,552</u>	<u>\$ (25,723)</u>	<u>\$ 1,764,448</u>	<u>\$ 922,466</u>	<u>\$ (200,886)</u>	<u>\$ (971,258)</u>	<u>\$ (493,362)</u>	<u>\$ (584,929)</u>	<u>\$ (1,494,477)</u>

Note 1: Prior to year 2012, the Corporation was not reported as a blended component unit.

Note 2: GASB Statement No. 75 was implemented in 2018 and this required the net OPEB liability to be recorded for the first time. This also required the revision of the ending net position in 2017.

Changes in Net Position

Last Ten Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Administration.....	\$ 1,563,743	\$ 1,103,423	\$ 1,979,641	\$ 994,074	\$ 408,610	\$ 960,520	\$ 1,824,395	\$ 2,032,196	\$ 2,799,683	\$ 2,749,989
Special education.....	4,312,604	4,024,707	4,326,385	4,166,537	4,438,334	4,495,610	3,754,926	3,958,311	4,309,738	4,302,842
Occupational education.....	4,005,363	3,924,582	4,341,067	4,058,627	4,139,596	4,839,278	4,488,967	5,414,634	5,342,299	5,444,300
Supplemental services.....	1,241,868	1,227,919	1,607,836	1,946,926	2,091,291	2,201,398	2,279,491	2,935,937	2,812,903	2,834,990
Professional development.....	100,407	153,443	189,064	73,580	5,380	3,596	44,043	18,312	-	2,842
Unallocated depreciation.....	250,276	191,240	136,263	645,345	706,876	652,293	655,988	924,437	900,217	893,821
Capital costs not capitalized.....	-	-	-	-	-	-	-	-	3,436	10,317
Interest expense.....	-	-	-	337,620	339,449	320,095	290,465	453,084	441,185	423,164
Total government activities expenses.....	11,474,261	10,625,314	12,580,256	12,222,709	12,129,536	13,472,790	13,338,275	15,736,911	16,609,461	16,662,265
Business-type activities:										
Transportation.....	11,210,104	10,386,757	11,942,954	12,816,989	12,571,053	12,433,554	12,282,493	11,938,868	12,359,913	11,931,102
Cooperative purchasing.....	10,439	5,178	-	-	-	-	-	-	-	-
Other enterprise funds.....	19,577	243,444	-	-	-	-	-	-	-	-
Total business-type activities expenses.....	11,240,120	10,635,379	11,942,954	12,816,989	12,571,053	12,433,554	12,282,493	11,938,868	12,359,913	11,931,102
Total primary government expenses.....	\$ 22,714,381	\$ 21,260,693	\$ 24,523,210	\$ 25,039,698	\$ 24,700,589	\$ 25,906,344	\$ 25,620,768	\$ 27,675,779	\$ 28,969,374	\$ 28,593,367
Program Revenues										
Governmental activities:										
Charges for services:										
Occupational education.....	\$ -	\$ -	\$ 546,494	\$ 601,278	\$ 640,123	\$ 786,080	\$ 910,397	\$ 824,084	\$ 904,014	\$ 798,334
Supplemental services.....	-	-	545,893	597,858	660,312	644,772	664,116	856,094	1,260,896	1,251,675
Other charges for services.....	-	-	358,305	258,948	169,201	231,942	839,477	984,203	1,197,628	1,154,939
Operating grants and contributions.....	891,731	813,602	1,439,189	939,901	1,067,811	1,651,515	1,974,005	4,196,149	5,517,284	4,982,096
Total government activities program revenues.....	891,731	813,602	2,889,881	2,397,985	2,537,447	3,314,309	4,387,995	6,860,530	8,879,822	8,187,044
Business-type activities:										
Total primary government program revenues.....	\$ 891,731	\$ 813,602	\$ 2,889,881	\$ 2,397,985	\$ 2,537,447	\$ 3,314,309	\$ 4,387,995	\$ 6,860,530	\$ 21,043,828	\$ 8,187,044
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (10,582,530)	\$ (9,811,712)	\$ (9,690,375)	\$ (9,824,724)	\$ (9,592,089)	\$ (10,158,481)	\$ (8,950,280)	\$ (8,876,381)	\$ (7,729,639)	\$ (8,475,221)
Business-type activities.....	(11,240,120)	(10,635,379)	(11,942,954)	(12,816,989)	(12,571,053)	(12,433,554)	(12,282,493)	48,184	(195,907)	(11,931,102)
Total primary government net (expense)/program revenue.....	\$ (21,822,650)	\$ (20,447,091)	\$ (21,633,329)	\$ (22,641,713)	\$ (22,163,142)	\$ (22,592,035)	\$ (21,232,773)	\$ (8,828,197)	\$ (7,925,546)	\$ (20,406,323)
General Revenues and other Changes in Net Position										
Governmental activities:										
Member district assessments.....	\$ 10,291,165	\$ 10,705,106	\$ 9,418,562	\$ 9,367,822	\$ 9,968,721	\$ 9,509,825	\$ 8,186,225	\$ 8,739,328	\$ 7,526,039	\$ 7,885,799
Unrestricted investment income.....	30,558	23,512	15,363	10,587	6,164	2,542	2,307	1,759	2,585	3,634
Gain on sale of capital asset.....	-	-	-	-	-	-	-	393,761	-	-
Miscellaneous.....	-	-	-	287,355	206,227	440,851	450,598	171,245	1,725	17,157
Transfers, net.....	-	-	-	-	-	(11,241)	-	-	240,554	290,000
Total governmental activities.....	10,321,723	10,728,618	9,433,925	9,665,764	10,181,112	9,941,977	8,639,130	9,306,093	7,770,903	8,196,590
Business-type activities:										
Transfers.....	-	-	-	-	-	11,241	-	-	(240,554)	(290,000)
Total primary government general revenues and other changes in net position.....	\$ 10,321,723	\$ 10,728,618	\$ 9,433,925	\$ 9,665,764	\$ 10,181,112	\$ 9,953,218	\$ 8,639,130	\$ 9,306,093	\$ 7,530,349	\$ 7,906,590
Changes in Net Position										
Governmental activities.....	\$ (260,807)	\$ 916,906	\$ (256,450)	\$ (158,960)	\$ 589,023	\$ (216,504)	\$ (311,150)	\$ 429,712	\$ 41,264	\$ (278,631)
Business-type activities.....	(11,240,120)	(10,635,379)	(11,942,954)	(12,816,989)	(12,571,053)	(12,422,313)	(12,282,493)	48,184	(436,461)	(12,221,102)
Total primary government changes in net position.....	\$ (11,500,927)	\$ (9,718,473)	\$ (12,199,404)	\$ (12,975,949)	\$ (11,982,030)	\$ (12,638,817)	\$ (12,593,643)	\$ 477,896	\$ (395,197)	\$ (12,499,733)

Prior to year 2012, the Corporation was not reported as a blended component unit.
 Prior to year 2011, the Collaborative included nonmember program charges in member district assessments.

Fund Balances, Governmental Funds

Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Unreserved.....	\$ 2,965,972	\$ 3,844,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned.....	-	-	3,722,455	2,988,011	4,008,699	2,209,417	1,275,000	1,309,020	1,309,433	1,186,551
Unassigned.....	-	-	462,253	1,568,178	2,027,519	3,839,077	4,579,328	3,601,367	3,167,696	3,623,324
Total general fund.....	\$ <u>2,965,972</u>	\$ <u>3,844,257</u>	\$ <u>4,184,708</u>	\$ <u>4,556,189</u>	\$ <u>6,036,218</u>	\$ <u>6,048,494</u>	\$ <u>5,854,328</u>	\$ <u>4,910,387</u>	\$ <u>4,477,129</u>	\$ <u>4,809,875</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue funds.....	\$ 4,857	\$ (1,480)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	-	-	178,106	178,926	213,414	265,562	297,053	350,992	2,558,362	2,628,125
Unassigned.....	-	-	-	(55,447)	(2,142)	(21,567)	(18,684)	(1,900)	-	(28,411)
Total all other governmental funds.....	\$ <u>4,857</u>	\$ <u>(1,480)</u>	\$ <u>178,106</u>	\$ <u>123,479</u>	\$ <u>211,272</u>	\$ <u>243,995</u>	\$ <u>278,369</u>	\$ <u>349,092</u>	\$ <u>2,558,362</u>	\$ <u>2,599,714</u>

Note: The Collaborative implemented GASB 54 in fiscal year 2011, fund balances prior to year 2011 have been reported in the pre-GASB 54 format. Prior to fiscal year 2017, the Corporation was not blended with the Governmental Funds.

Changes in Fund Balances, Governmental Funds

Last Ten Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Member district assessments.....	\$ -	\$ -	\$ 9,418,562	\$ 9,448,683	\$ 9,985,785	\$ 9,512,718	\$ 8,992,559	\$ 9,656,387	\$ 9,245,954	\$ 9,575,848
Nonmember assessments.....	-	-	1,377,014	1,241,503	1,336,709	1,543,713	1,444,340	1,524,261	1,471,182	1,332,833
Intergovernmental.....	891,731	1,049,061	1,151,087	1,175,245	1,075,622	1,489,553	1,967,036	4,351,267	5,577,969	4,982,096
Investment income.....	30,558	23,512	15,363	9,941	5,200	2,034	1,650	1,088	2,585	3,634
Departmental and other.....	-	-	73,678	87,262	117,885	145,692	164,518	228,462	173,166	208,042
Administration.....	1,062,436	1,016,949	-	-	-	-	-	-	-	-
Special education.....	3,898,856	3,997,756	-	-	-	-	-	-	-	-
Occupational education.....	3,737,802	3,946,830	-	-	-	-	-	-	-	-
Supplemental services.....	1,495,509	1,432,580	-	-	-	-	-	-	-	-
Professional development.....	96,563	71,907	-	-	-	-	-	-	-	-
Total Revenue.....	11,213,455	11,538,595	12,035,704	11,962,634	12,521,201	12,693,710	12,570,103	15,761,465	16,470,856	16,102,453
Expenditures:										
Administration.....	1,400,480	1,014,248	1,550,540	2,457,132	222,069	891,418	1,683,991	4,051,103	2,656,532	2,585,093
Special education.....	3,744,499	3,903,183	3,836,614	3,476,969	4,054,059	4,202,158	3,572,338	3,705,238	3,938,301	4,054,742
Occupational education.....	3,873,352	4,130,792	4,084,085	4,193,891	4,544,799	5,299,337	5,111,502	5,905,779	5,576,686	5,358,688
Supplemental services.....	1,335,422	1,349,737	1,605,547	1,443,365	2,125,352	2,239,304	2,316,301	2,952,563	2,786,202	2,884,561
Professional development.....	90,371	68,688	186,229	74,423	7,100	5,253	45,763	20,000	-	-
Capital outlay.....	-	-	-	-	-	-	-	-	1,028,421	233,609
Debt service:										
Principal.....	-	-	-	-	-	-	-	-	465,000	477,000
Interest.....	-	-	-	-	-	-	-	-	442,654	424,662
Total Expenditures.....	10,444,124	10,466,648	11,263,015	11,645,780	10,953,379	12,637,470	12,729,895	16,634,683	16,893,796	16,018,355
Excess of revenues over (under) expenditures.....	769,331	1,071,947	772,689	316,854	1,567,822	56,240	(159,792)	(873,218)	(422,940)	84,098
Other Financing Sources (Uses)										
Refunds to member districts.....	-	-	(350,000)	-	-	-	-	-	-	-
Transfers in.....	-	-	-	-	-	97,651	158,779	-	2,128,421	1,388,675
Transfers out.....	-	(200,000)	-	-	-	(108,892)	(158,779)	-	(1,887,867)	(1,098,675)
Total other financing sources (uses).....	-	(200,000)	(350,000)	-	-	(11,241)	-	-	240,554	290,000
Net change in fund balance.....	\$ 769,331	\$ 871,947	\$ 422,689	\$ 316,854	\$ 1,567,822	\$ 44,999	\$ (159,792)	\$ (873,218)	\$ (182,386)	\$ 374,098
Debt service as a percentage of noncapital expenditures....	-	-	-	-	-	-	-	-	6.37%	5.71%

Note: Prior to fiscal year 2011, the Collaborative allocated assessments by program.
 Prior to fiscal year 2017, the Corporation was not blended with the Governmental Funds.

Revenue by Member Communities

Current Year and Nine Years Ago

Name	2018		2009	
	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
Special Education				
Agawam	\$ 564,346	15%	\$ 931,212	24%
East Longmeadow	431,773	12%	602,687	15%
Hampden-Wilbraham	408,379	11%	702,258	18%
Longmeadow	523,985	14%	362,078	9%
Ludlow	283,965	8%	557,111	14%
Southwick Tolland Granville	23,393	1%	54,243	1%
West Springfield	812,094	22%	305,804	8%
Out of District	677,096	18%	383,463	10%
Total Special Education	\$ 3,725,031	100%	\$ 3,898,856	100%
Occupational Education				
Agawam	\$ 1,330,988	25%	\$ 598,995	18%
East Longmeadow	255,040	5%	192,534	6%
Hampden-Wilbraham	358,649	7%	229,207	7%
Longmeadow	187,295	3%	207,814	6%
Ludlow	605,719	11%	550,097	16%
Southwick Tolland Granville	800,984	15%	522,592	15%
West Springfield	992,264	19%	748,743	22%
Out of District	821,147	15%	354,185	10%
Total Occupational Education	\$ 5,352,086	100%	\$ 3,404,167	100%
Supplemental Services				
Agawam	\$ 130,799	5%	\$ 141,355	16%
East Longmeadow	30,631	1%	109,367	12%
Hampden-Wilbraham	144,690	6%	124,058	14%
Longmeadow	87,791	3%	68,830	8%
Ludlow	135,740	5%	94,240	11%
Southwick Tolland Granville	23,122	1%	43,836	5%
West Springfield	212,893	8%	138,167	16%
LPVEC & Misc	737,654	29%	-	0%
Out of District	1,079,952	42%	166,761	19%
Total Supplemental Services	\$ 2,583,272	100%	\$ 886,614	100%
Transportation Services				
Agawam	\$ 2,274,197	19%	\$ 1,869,773	18%
East Longmeadow	547,084	5%	412,409	4%
Hampden-Wilbraham	3,163,609	26%	2,962,495	29%
Longmeadow	1,061,010	9%	802,937	8%
Ludlow	1,623,736	14%	1,422,829	14%
Southwick Tolland Granville	-	0%	41,541	0%
West Springfield	2,899,813	24%	2,138,766	21%
LPVEC & Misc	458,083	4%	599,636	6%
Out of District	-	0%	-	0%
Total Transportation Services	\$ 12,027,532	100%	\$ 10,250,386	100%

Source: Collaborative finance department

Hampden County Principal Employers

Current Year and Nine Years Ago

<u>Name</u>	<u>Nature of Business</u>	<u>City/Town</u>	<u>2014 Rank</u>	<u>2004 Rank</u>
Baystate Health System	Health Services	Springfield	1	1
MassMutual Financial Services	Financial Services	Springfield	2	
Big Y Supermarkets	Retail	Springfield	3	5
Sisters of Providence Health System	Health Services	Springfield	4	
Smith & Wesson	Manufacturing	Springfield	5	3
Holyoke Medical Center	Health Services	Holyoke	6	2
Hasbro	Manufacturing	E. Longmeadow	7	
Verizon	Communications	Springfield	8	
Noble Hospital	Health Services	Westfield	9	8
Wing Memorial Hospital	Health Services	Palmer	10	
Milton Bradley Company (Hasbro)	Manufacturer	East Longmeadow		4
Springfield College	Education	Springfield		6
Westover Air Reserve Base	Military	Chicopee		7
Top Flight Golf	Manufacturer	Chicopee		9
Peter Pan Bus Lines	Transportation Services	Springfield		10

Note: Each of the Collaborative 10 member communities are located in Hampden County, MA.

Data for 2009 was not available.

Source: Collaborative finance department

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	Governmental Activities		Business-type Activities		Total Primary Government		
	General Obligation Bonds and Notes	Capital Leases	General Obligation Bonds and Notes	Capital Leases	Total Debt Outstanding	Major Program Enrollment	Debt per Enrollment
2008	\$ -	\$ 611,377	\$ 388,000	\$ 592,956	\$ 1,592,333	561	\$ 2,838
2009	\$ -	\$ 497,185	\$ 258,000	\$ 1,531,628	\$ 2,286,813	622	\$ 3,677
2010	\$ -	\$ 375,729	\$ 128,000	\$ 2,734,348	\$ 3,238,077	652	\$ 4,966
2011	\$ -	\$ 287,890	\$ -	\$ 3,561,361	\$ 3,849,251	652	\$ 5,904
2012	\$ 13,205,577	\$ -	\$ -	\$ 4,034,302	\$ 17,239,879	648	\$ 26,605
2013	\$ 12,551,472	\$ -	\$ -	\$ 2,458,779	\$ 15,010,251	654	\$ 22,951
2014	\$ 11,848,868	\$ -	\$ -	\$ 1,246,459	\$ 13,095,327	634	\$ 20,655
2015	\$ 11,141,471	\$ -	\$ -	\$ 417,345	\$ 11,558,816	634	\$ 18,232
2016	\$ 11,733,000	\$ -	\$ -	\$ 695,732	\$ 12,428,732	596	\$ 20,854
2017	\$ 11,268,000	\$ -	\$ -	\$ 1,382,227	\$ 12,650,227	599	\$ 21,119
2018	\$ 10,791,000	\$ -	\$ -	\$ 1,304,325	\$ 12,095,325	539	\$ 22,440

Note: Prior to year 2012, the Corporation was not reported as a blended component unit. The effects of blending the Corporation with the primary government have not been presented prior to year 2012.
 Source: Audited Financial Statements, Collaborative finance department

Demographic and Economic Statistics

Last Ten Calendar Years

	Calendar Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Demographic and Economic Statistics										
Agawam:										
Population.....	28,485	28,438	28,438	28,438	28,438	27,438	27,438	28,438	28,438	28,438
Labor force.....	15,774	15,828	15,480	15,399	15,224	15,684	15,999	15,745	16,107	16,404
Unemployed.....	1,241	1,282	1,080	990	1,089	985	771	712	665	658
Unemployment rate.....	7.9%	8.1%	7.0%	6.4%	7.2%	6.3%	4.8%	4.5%	4.1%	4.0%
West Springfield:										
Population.....	28,137	28,391	28,391	28,391	28,391	28,391	28,391	28,137	28,391	28,391
Labor force.....	14,587	14,820	14,500	14,427	14,178	14,588	14,732	14,406	14,789	14,973
Unemployed.....	1,281	1,359	1,173	1,092	1,097	979	797	702	692	633
Unemployment rate.....	8.8%	9.2%	8.1%	7.6%	7.7%	6.7%	5.4%	4.9%	4.7%	4.2%
Hampden-Wilbraham Regional:										
Enrollment.....	3,440	3,396	3,545	3,420	3,356	3,356	3,356	3,138	3,107	3,061
Labor force.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unemployed.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unemployment rate.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ludlow:										
Population.....	21,209	21,103	21,103	21,103	21,103	21,103	21,103	21,103	21,348	21,352
Labor force.....	11,207	10,740	10,633	10,525	10,413	10,680	11,025	10,837	11,064	11,283
Unemployed.....	1,039	1,034	1,025	911	982	889	706	684	644	635
Unemployment rate.....	9.3%	9.6%	9.6%	8.7%	9.4%	8.3%	6.4%	6.3%	5.8%	5.6%
East Longmeadow:										
Population.....	14,100	15,720	15,720	15,720	15,720	15,720	15,720	15,720	15,839	15,839
Labor force.....	8,100	8,078	7,921	7,909	7,793	8,052	8,672	8,564	8,786	8,984
Unemployed.....	523	572	489	472	498	427	353	331	314	303
Unemployment rate.....	6.5%	7.1%	6.2%	6.0%	6.4%	5.3%	4.1%	3.9%	3.6%	3.4%
Southwick-Tolland-Granville Regional:										
Enrollment.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,549	1,519
Labor force.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unemployed.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unemployment rate.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Longmeadow:										
Population.....	15,633	15,633	15,784	15,784	15,784	15,784	15,784	15,633	15,784	15,784
Labor force.....	7,668	7,841	7,690	7,675	7,579	7,796	8,147	7,995	8,186	8,337
Unemployed.....	444	466	389	369	413	365	287	267	261	236
Unemployment rate.....	5.8%	5.9%	5.1%	4.8%	5.4%	4.7%	3.5%	3.3%	3.2%	2.8%

Note: Information provided for member communities.

Source: Massachusetts Labor and Workforce Development, New England School Development Council

N/A: Regional school district information not available

Full-Time Equivalent Employees

Last Ten Years

	Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Full-Time Equivalents</u>										
Administration.....	17	21	23	23	21	21	21	21	11	11
Special Education.....	76	76	76	74	80	71	71	67	44	41
Occupational Education.....	36	38	39	39	39	44	50	44	46	46
Supplemental Services.....	5	5	5	5	6	4	7	7	25	24
Transportation.....	<u>242</u>	<u>248</u>	<u>247</u>	<u>236</u>	<u>264</u>	<u>272</u>	<u>238</u>	<u>239</u>	<u>259</u>	<u>228</u>
Total	<u>376</u>	<u>388</u>	<u>390</u>	<u>377</u>	<u>410</u>	<u>412</u>	<u>387</u>	<u>378</u>	<u>385</u>	<u>350</u>

Source: Collaborative finance department

Operating Indicators

Last Ten Years

<u>Enrollment</u>	Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Occupational Education Enrollment by District:										
Agawam.....	73	92	116	123	102	114	113	114	107	91
East Longmeadow.....	21	26	20	23	20	28	28	23	24	26
Hampden/Wilbraham.....	32	29	25	19	16	18	18	32	27	21
Longmeadow.....	31	27	26	15	14	15	15	15	17	16
Ludlow.....	52	51	50	40	45	42	42	52	54	45
Southwick/Tolland.....	51	64	67	69	70	66	65	63	77	72
West Springfield.....	78	93	88	98	125	98	93	74	93	99
Non Member Communities.....	93	92	84	87	85	98	98	92	88	74
Total Occupational Educational Enrollment.....	431	474	476	474	477	479	472	465	487	444
Special Education Enrollment by Program:										
Alternative High School.....	7	5	6	8	6	5	*	*	*	*
Alternative High School "Brush Hill Academy".....	30	32	30	45	59	52	33	28	21	7
Autism Elementary Program.....	N/A	N/A	N/A	N/A	N/A	N/A	4	6	9	5
Autism Middle Program.....	N/A	N/A	N/A	N/A	N/A	N/A	10	8	10	7
Autism High Program.....	5	4	5	5	5	6	5	5	6	8
Asperger Compass Middle School.....	5	5	8	6	6	8	10	4	3	5
Asperger Compass High School.....	5	5	6	8	8	6	5	12	6	7
Career Prep Program.....	9	8	8	6	10	10	9	10	10	6
Career Skills Program.....	12	12	11	10	11	8	10	7	8	10
Elementary Developmental Classroom.....	4	4	5	5	5	-	*	*	*	*
Elementary and Secondary Transitional I.....	5	6	6	4	6	5	*	*	*	*
Elementary and Secondary Transitional II.....	6	6	5	4	4	-	-	*	*	*
Integrated Occupational Preparation.....	56	52	37	28	20	21	27	29	22	22
Prevocational Preparation.....	6	4	4	6	5	7	-	*	*	*
Secondary Developmental.....	8	8	7	6	4	7	6	*	*	*
Twain High School.....	12	11	12	12	14	8	14	13	12	11
Vocational Preparation I.....	11	9	9	6	8	7	10	9	5	7
Vocational Preparation II.....	10	7	10	8	-	-	-	-	-	-
Transitions Program.....	-	-	7	7	6	5	4	*	*	*
Total Special Education Enrollment.....	191	178	176	174	177	155	147	131	112	95
Total Enrollment.....	622	652	652	648	654	634	619	596	599	539
Staffing Levels										
Teachers and Instructional Staff.....	104	101	101	103	109	109	110	108	104	80
Administration.....	18	18	18	17	21	24	24	24	30	36
Classified Employees:										
Clerical Staff.....	9	9	9	10	10	11	8	3	3	3
Maintenance.....	2	2	2	3	2	2	2	2	2	2
IT Staff.....	2	5	5	4	5	5	5	2	3	1
Transportation Services.....	251	247	247	239	237	243	238	239	243	228
Total Regular Staff.....	386	382	382	376	384	394	387	378	385	350

NA - Information not available

* - Program closed in 2015

Source: Finance Department

Capital Asset Statistics

	<u>Town/Location</u>	<u>Year Acquired</u>	<u>Square Footage</u>	<u>% Occupied</u>
Buildings (1):				
Career and Technical Education Center and Administration Building.....	West Springfield	2005	106,029	100%
Twain school.....	West Springfield	1992	3,348	100%
Modular Buildings (1):				
Cambridge Glenbrook Modular in Longmeadow..	Longmeadow	2006	NA	100%
Mapleshade Modular in East Longmeadow.....	East Longmeadow	1999	NA	100%
Transportation Facilities (2):				
Denslow Road Garage.....	East Longmeadow	2004	5,184	100%
Shoemaker Lane Garage.....	Agawam	2012	13,100	100%
Boston Road.....	Wilbraham	2016	24,871	100%

NA - Information not available

- (1) The Collaborative leases these buildings from the Lower Pioneer Valley Educational Corporation.
- (2) The Collaborative also owns and operates approximately 250 vehicles through the Transportation Program.

Source: Finance Department

***Schedule of Cumulative Surplus and
Required Disclosures for Massachusetts
Educational Collaboratives***

SCHEDULE OF CUMULATIVE SURPLUS

YEAR ENDED JUNE 30, 2018

		Page(s) in financial statements
(A) Voted Cumulative Surplus as of June 30, 2017.....	\$ 2,794,898	2017 CAFR page 110
(B) 1. Amount of (A) used to support the FY2018 budget.....	\$ 1,650,494	N/A
2. Amount of (A) returned to member districts.....	<u>-</u>	N/A
Subtotal.....	<u>1,650,494</u>	
Prior year cumulative surplus less amounts used or returned.....	\$ <u>1,144,404</u>	
(C) 1. Unassigned FY2018 General Funds.....	3,623,324	2018 CAFR page 36
2. Unexpended FY2018 Enterprise Funds (modified accrual basis).....	<u>705,508</u>	*
(D) Cumulative Surplus as of June 30, 2018.....	\$ <u>4,328,832</u>	
(E) Fiscal year 2018 General Fund Expenditures.....	13,520,919	2018 CAFR page 38
Fiscal year 2018 Enterprise Fund Expenditures (modified cash basis).....	<u>11,332,475</u>	**
	<u>24,853,394</u>	
(F) Cumulative Surplus Percentage.....	<u>17%</u>	

* The modified accrual balance for the Enterprise Funds consist of cash, receivables, payables, other liabilities, and due to/from other funds which can be identified on page 40 of the 2018 CAFR.

** The full accrual expenses reported in the 2018 CAFR have been adjusted to remove all expenses related to long term assets or liabilities.

The following supplementary information is provided to conform with the requirements of the Massachusetts Session Law, Chapter 43 of the Acts of 2012: An Act Relative to Improving Accountability and Oversight of Education Collaboratives. This law was adopted in March of 2012 and constitutes a comprehensive amendment Massachusetts General Law, Chapter 40, Section 4E which establishes the requirements for the formation and administration of Education Collaboratives in Massachusetts.

NOTE 1 – TRANSACTIONS BETWEEN RELATED ORGANIZATIONS

Effective July 1, 2017, the Collaborative restructured operating leases with the Corporation for the use of various facilities in their programs. Lease payments made to the Corporation during 2018 totaled \$1,020,000.

Under the new terms, all of the operating leases will expire on June 30, 2022 with various options for extensions. Based on the renegotiated operating lease agreements, future operating lease payments to the Corporation will be as follows:

Years Ending June 30	Governmental Activities	Business-Type Activities	Total
2019.....	\$ 730,000	\$ 290,000	\$ 1,020,000
2020.....	730,000	290,000	1,020,000
2021.....	730,000	290,000	1,020,000
2022.....	730,000	290,000	1,020,000
Total lease payments.....	\$ 2,920,000	\$ 1,160,000	\$ 4,080,000

During 2018, Collaborative contributed for expenditures related to the machine technology program, Agawam garage expenditures, and other expenditures for \$211,257, \$10,317, and \$12,035, respectively.

Total payments from the Collaborative to the Corporation during year 2018 are as follows:

Purpose	Amount
Operating Leases.....	\$ 1,020,000
Machine Technology Construction Project.....	211,257
Agawam Garage Expenditures.....	10,317
Other.....	12,035
Total lease payments.....	\$ 1,253,609

NOTE 2 – PURCHASE, SALE, RENTAL OR LEASE OF REAL PROPERTY

The Collaborative’s transportation enterprise fund has entered into several lease agreements to finance the acquisition of vehicles and buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The remaining net value of assets acquired through capital leases totaled \$3,326,701.

The future minimum lease obligations and the present value of these minimum lease payments for the business-type activities, as of June 30, 2018 are listed below:

Years Ending June 30	Amount
2019.....	\$ 574,117
2020.....	335,030
2021.....	335,028
2022.....	<u>99,004</u>
Total minimum lease payments.....	1,343,179
Less: amounts representing interest.....	<u>(38,854)</u>
Present value of minimum lease payments.....	<u><u>\$ 1,304,325</u></u>

NOTE 3 – MOST HIGHLY COMPENSATED EMPLOYEES

The following table presents the total compensation for the Collaborative’s five most highly compensated employees for the year ended December 31, 2017 as reported on IRS form W-2, Wage and Tax Statement:

Name	General Duties	Compensation
Andrew Churchill	Executive Director.....	\$ 138,565
Anna Bishop	Director of Finance.....	116,356
Donald Jarvis	Director of Occupational Education.....	105,532
Christine Shea	Director of Medical Reimbursement.....	105,209
Sharon Goulet	Director of Special Education.....	<u>97,970</u>
	Total.....	<u><u>\$ 563,632</u></u>

NOTE 4 – ADMINISTRATION AND OVERHEAD

For year ended June 30, 2018, the Collaborative expended approximately \$1,093,179 for amounts related to administration and \$1,407,621 for amounts related to overhead.

NOTE 5 – ACCOUNTS HELD BY THE COLLABORATIVE THAT MAY BE SPENT AT THE DISCRETION OF ANOTHER PERSON OR ENTITY

At June 30, 2018, there are no accounts held by the Collaborative that may be spent at the discretion of another person or entity. The Collaborative does maintain one student activity account from which all expenditures are paid through the Collaborative's warrant process.

NOTE 6 – SERVICES FOR PUPILS AGE 22 AND OLDER

During year 2018, the Collaborative did not provide services for individuals aged 22 years and older.

NOTE 7 – SCHEDULE OF CUMULATIVE SURPLUS

State regulations limit the amount of cumulative surplus that may be retained by collaboratives at the end of a fiscal year to no more than 25% of the prior year's general fund expenditures. For the Collaborative this includes the activities of the Transportation fund.