

CHARMS COLLABORATIVE



FINANCIAL STATEMENTS

for the year ended June 30, 2017

CHARMS COLLABORATIVE

for the year ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CHARMS Collaborative

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities of CHARMS Collaborative, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities of CHARMS Collaborative, as of June 30, 2017 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 management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018, on our consideration of CHARMS Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CHARMS Collaborative's internal control over financial reporting and compliance.

The MP Group, P.C.

Springfield, Massachusetts

January 9, 2018

CHARMS COLLABORATIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

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

THE COLLABORATIVE AS A WHOLE

The Collaborative was established for the purpose of conducting educational programs and/or services, which meet the special needs of children for whom its member school committees are responsible. The Collaborative also provides clinical services as requested by its member districts. Non-member schools may contract for program and clinical services as capacity allows. The Collaborative is supported through tuitions and fees for clinical services from contracting municipalities. Provision of services is primarily confined to the Southeastern Massachusetts region. The Collaborative is governed by a six member Board of Directors consisting of one representative from each member district. During fiscal year 2017, the Collaborative conducted school based programs and served 26 students as of the fiscal year end.

OVERVIEW OF THE FINANCIAL REPORTS

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

- ***Management's Discussion and Analysis*** introduces the basic financial statements and provides an analytical overview of the Collaborative's financial activities.
- ***Government-wide financial statements*** consist of the Statement of Net Position and the Statement of Activities. These provide both short-term and long-term information about the Collaborative's overall financial status.
- ***Fund basis financial statements*** focus on individual parts of the Collaborative, reporting the Collaborative's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services were financed in the short-term as well as what remains for future spending.
- ***Notes to the financial statements*** explain some of the information in the statements and provide more detailed data.
- ***Supplementary information*** includes both additional financial information which provides more detail support of the basic financial statements and information required by the Massachusetts Department of Elementary and Secondary Education.

CHARMS COLLABORATIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

June 30, 2017

Government-wide Statements

The government-wide statements (statement of net position and statement of activities) report information about the Collaborative as a whole using accounting methods similar to those used by private sector companies.

- ***The Statement of Net Position*** presents information on all of the Collaborative's assets and liabilities with the difference between the two reported as net position. It is one way of measuring the Collaborative's financial health or position.
- ***The Statement of Activities*** presents information showing how the Collaborative's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

Fund Financial statements

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

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

CHARMS COLLABORATIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summarized Statement of Net Position is for the fiscal year 2017.

Current assets, i.e. cash, accounts receivable and prepaid expenses	\$	766,024
Capital assets		
Total assets	\$	<u>766,024</u>
Current liabilities, i.e. accounts payable, accrued expenses and deferred revenue	\$	13,657
Non-current liabilities		<u> </u>
Net position:		
Invested in capital assets	\$	
Unrestricted		<u>752,367</u>
Total net position	\$	<u><u>752,367</u></u>

As indicated in the following summarized Statement of Activities, net assets decreased by \$339,080, during fiscal year 2017. Average enrollments decreased compared with the prior year because the Collaborative closed June 30, 2017.

Revenues:		
Charges for student services	\$	2,054,099
Intergovernmental revenue		335,230
Other income		<u>15,000</u>
Total revenues	\$	2,404,329
Expenses:		
Student services	\$	1,931,734
General and administrative		476,445
Intergovernmental expense		<u>335,230</u>
Total expenses	\$	2,743,409
Change in net position		(339,080)
Net position - beginning		<u>1,091,447</u>
Net position - ending	\$	<u><u>752,367</u></u>

CHARMS COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2017 provided for a net deficit of (\$13,976). In 2017, actual revenues were lower than budgeted amounts by \$23,768 due to lower enrollment than expected. Total expenditures were higher than budgeted amounts by \$340,104 as the Collaborative had additional closing expenses that were not included in the original budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Collaborative's finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office of the Collaborative.

CHARMS COLLABORATIVE
STATEMENT OF NET POSITION

June 30, 2017

ASSETS

Current assets

Cash and cash equivalents.....	\$ 726,462
Accounts receivable.....	<u>39,562</u>

Total current assets.....	<u>766,024</u>
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Capital assets, net.....	<u> </u>
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TOTAL ASSETS.....	<u>\$ 766,024</u>
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LIABILITIES AND NET POSITION

Current liabilities

Accounts payable.....	\$ <u>13,657</u>
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Total current liabilities.....	<u>13,657</u>
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Total liabilities.....	<u>13,657</u>
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Net position

Unrestricted.....	<u>752,367</u>
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Total net position.....	<u>752,367</u>
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TOTAL LIABILITIES AND NET POSITION.....	<u>\$ 766,024</u>
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See notes to financial statements.

CHARMS COLLABORATIVE
STATEMENT OF ACTIVITIES
for the year ended June 30, 2017

	<u>Charges for Expense</u>	<u>Charges for Services</u>	<u>Total</u>
Governmental activities		Program Revenue	
Student services.....	\$ 1,931,734	\$ 2,054,099	\$ 122,365
General and administrative.....	476,445		(476,445)
Intergovernmental revenue.....	<u>335,230</u>	<u>335,230</u>	<u> </u>
Total governmental activities.....	<u>\$ 2,743,409</u>	<u>\$ 2,389,329</u>	(354,080)
		General revenue:	
		Interest	
		Other	<u>15,000</u>
		Change in net position	(339,080)
		Net position, beginning of year	<u>1,091,447</u>
		Net position, end of year	<u>\$ 752,367</u>

See notes to financial statements.

CHARMS COLLABORATIVE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2017

ASSETS

Current assets

Cash and cash equivalents.....	\$	726,462
Accounts receivable.....		<u>39,562</u>

Total current assets.....		<u>766,024</u>
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TOTAL ASSETS.....	\$	<u><u>766,024</u></u>
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LIABILITIES AND FUND BALANCES

Current liabilities

Accounts payable.....	\$	<u>13,657</u>
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Total current liabilities.....		<u>13,657</u>
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Total liabilities.....		<u>13,657</u>
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Fund balances

Unassigned.....		<u>752,367</u>
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Total fund balances.....		<u>752,367</u>
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TOTAL LIABILITIES AND FUND BALANCES.....	\$	<u><u>766,024</u></u>
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See notes to financial statements.

CHARMS COLLABORATIVE

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

for the year ended June 30, 2017

Revenues

Direct service and administrative.....	\$ 2,054,099
Intergovernmental revenue.....	335,230
Interest income.....	<u> </u>
Total revenues.....	<u>2,389,329</u>

Expenditures

Administrative expenses.....	476,445
Intergovernmental expense.....	335,230
Program expenses.....	1,931,734
Capital outlay.....	<u> </u>
Total expenditures.....	2,743,409
Expenditures over revenue.....	(354,080)
Fund balances, beginning of year.....	<u>1,091,447</u>
Fund balances, end of year.....	<u><u>\$ 737,367</u></u>

See notes to financial statements.

CHARMS COLLABORATIVE

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2017

Total fund balance, governmental funds.....	\$	737,367
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Income on sale of fully depreciated vans		15,000
		<hr/>
Net position of governmental activities in the statement of net position.....	\$	<u>752,367</u>

See notes to financial statements.

CHARMS COLLABORATIVE

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

for the year ended June 30, 2017

Net changes in balances - governmental funds.....	\$	(354,080)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Income on sale of fully depreciated vans		15,000
		<hr/>
Changes in net position of governmental activities.....	\$	<u>(339,080)</u>

See notes to financial statements.

CHARMS COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and Reporting Entity

Organization

CHARMS Collaborative (“the Collaborative”) is a six-district, public education collaborative established under Massachusetts General Law Chapter 20, Section 4E. It is a public entity under the jurisdiction of its member district school committees, whose appointees comprise its board of directors. The public school districts include Canton, Holbrook, Avon, Milton, Sharon and Stoughton. The Collaborative’s primary purpose is to conduct educational programs and/or services, which meet the various special needs of children for whom its member school committees are responsible. The Collaborative also provides clinical services as requested by its member districts. Non-member school districts may contract for program and clinical services as capacity allows. The Collaborative is supported through tuitions and fees for clinical services from contracting municipalities. Provision of services is primarily confined to the Southeastern Massachusetts region.

Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the Governmental Accounting Standard Board (GASB), the accompanying financial statements present the CHARMS Collaborative. Pursuant to the criteria, the Collaborative did not identify any component units requiring inclusion in the accompanying financial statements.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Collaborative’s basic financial statements include both government-wide and fund financial statements. Within the fund financial statements, separate statements are provided for governmental funds and fiduciary funds. The latter are excluded from the government-wide financial statements.

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

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS, Continued

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

Following are the governmental fund classifications available to the Collaborative:

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

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

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

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

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

Cash and Cash Equivalents

At June 30, 2017, cash and cash equivalents consist of monies held in checking, savings, and short-term certificate of deposit accounts.

Receivables and Revenue

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

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

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS, Continued

Allocation of Costs

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period.

Fair Value of Financial Instruments

The Collaborative's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The Collaborative estimates that the fair value of all financial instruments at June 30, 2017 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

Budgetary Control

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

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

3. Capital Assets

Capital assets consist of fully depreciated vehicles used for transportation of students. These vehicles were sold for \$15,000 in June of 2017.

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS, Continued

4. Retirement Plan

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

MSERS is a public employee retirement ("PERS"), that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board ("GASB") Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The Collaborative's contribution rate was 5.6% of MSERS wages as of June 30, 2017 and totaled \$44,876 for the fiscal year then ended. This contribution is calculated per MGL 342, & 28(4)(c) as a reimbursement to the Massachusetts State Retirement Board ("the Board") for its share of any retirement allowance or pension amounts paid by the Board during the preceding calendar year which were based on service to the Collaborative as determined by the plan actuary. Legally, the Collaborative is responsible for contributing the annual normal cost of its employee's benefits (i.e., the present value of benefits earned by those employees in any given year) and is not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaborative. The Commonwealth as a nonemployer contributor is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As such, the Commonwealth contributes to the Massachusetts State Employees' Retirement System on behalf of the Collaborative. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Contributions made by the Commonwealth "on behalf" of the Collaborative totaled \$44,720. This amount is included in the accompanying statement of activities as intergovernmental revenue and expense.

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

Net pension liability 6/30/16	<u>\$ 1,518,235</u>
Proportionate share of plan pension expense	208,533
Net amortization of deferred amounts from change in proportion	<u>2,316</u>
Total employer pension expense	<u>\$ 210,849</u>

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS, Continued

Retirement Plan, Continued

The Commonwealth of Massachusetts contributes to MTRS on behalf of the Collaborative. The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, and the Commonwealth is a nonemployer contributing entity in MTRS. In accordance with government accounting standards, the Collaborative is required to record such “on behalf payments” as revenue and expenditures in the financial statements. Pension support provided to the Collaborative totaled \$335,230. This amount is included in the accompanying statement of activities as intergovernmental revenue and expense.

The following information was attributed to the Collaborative from allocation schedules prepared by The Commonwealth of Massachusetts Teacher’s Retirement Board and audited by KPMG, LLP:

Proportionate share of the net pension liability at 6/30/16	\$ 3,286,359
Commonwealth pension support provided	165,301
Total employer pension expense and revenue for Commonwealth support	\$ 335,230

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

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

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

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS, Continued

5. Operating Leases

The Collaborative leases classroom and administrative space from various member and non-member districts under tenant-at-will leases. Rent expense for these spaces totaled \$122,868 for the year ended June 30, 2017. All leases terminated June 30, 2017.

The Collaborative also leased vans and equipment under various operating leases which required monthly aggregate payments of approximately \$1,700 and expire at various dates through June 30, 2017.

6. Accrued Sick Pay Benefits

The Collaborative allows employees to accrue sick pay benefits at a rate of 1.5 days per month. Sick leave is cumulative from year to year to a limit of 100 days. The sick pay benefits cannot be quantified because employees cannot receive payment of their benefits for any reason other than illness. Employees who leave the Collaborative because of resignation, termination or retirement, cannot collect an accrued sick pay benefit.

7. Concentration of Credit Risk

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

The Collaborative maintains its funds at two financial institutions. Balances in these accounts may, at times, exceed federally insured limits. The Collaborative has not experienced any losses in such accounts. Management believes the Collaborative is not exposed to any significant credit risk related to cash. The amount of uninsured cash was \$845,059 at June 30, 2017.

CHARMS COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS, Continued

8. Subsequent Events

Management has evaluated subsequent events through January 9, 2018, the date the financial statements were available to be issued.

9. Collaborative Termination

The Board of Trustees of the Collaborative voted on June 22, 2016 to close down the Collaborative as of June 30, 2017. The Board has completed the following steps required:

- Determined the fair market value of all assets.
- Determined the process for the appropriate disposition of federal/state funds.
- Identified the Member Districts responsible for maintaining all fiscal, employee and program records.
- Identified the appropriate Member and Non-Member Districts responsible for maintaining student records.

In addition to the above, the Board will assign liabilities (if any) to Member Districts, distribute surplus funds or capital reserves to Member districts on a pro rata basis (determined by fiscal participation from the previous year), and ensure the appropriate disposition of all assets of the Collaborative by June 30, 2018.

CHARMS COLLABORATIVE

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

for the year ended June 30, 2017

	<u>Original and Final</u> <u>Budgeted</u> <u>Amounts</u>	<u>Actual Amounts</u> <u>Budgeted Basis</u>	<u>Variance with Final</u> <u>Budget - Positive</u> <u>(Negative)</u>
Revenues:			
Direct service and administrative	\$ 2,196,530	\$ 2,054,099	\$ (142,431)
Interest income			
Total revenues	2,196,530	2,054,099	(142,431)
Expenditures:			
Administrative expenses	505,664	476,445	29,219
Program expenses	1,704,842	1,931,734	(226,892)
Capital outlay			
Total expenditures	2,210,506	2,408,179	(197,673)
Expenditures over revenue	(13,976)	(354,080)	(340,104)
Fund balances, beginning of year	382,423	1,091,447	
Fund balances, end of year	\$ 368,447	\$ 737,367	\$ (340,104)

CHARMS COLLABORATIVE

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

for the year ended June 30, 2017

Transactions between the Collaborative and any related for-profit or non-profit organization:

None

Transaction or contracts related to the purchase, sale, rental or lease of real property:

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

<u>School / Collaborative</u>	<u>Lease Term</u>	<u>2017 Expense</u>
Canton	Annual	\$ 96,000
Sharon	Annual	\$ 12,000

The amounts expended on administration and overhead:

Administration and overhead: \$476,445

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

None

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

None

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

See listing on the following pages.

CHARMS COLLABORATIVE

SCHEDULE OF MOST HIGHLY COMPENSATED EMPLOYEES

for the year ended June 30, 2017

<u>Name & Title:</u>	<u>Primary Duties:</u>	<u>Compensation:</u>
Rosalie O'Connell, Executive Director	Performs oversight of the Collaborative. Carried out policies and procedures as set forth by the CHARMS Board of Directors and DESE mandates. Responsible for day to day operations including: student referrals, program reviews, and evaluations. Responsible for staff hiring and evaluations and professional development. Reports to the Board of Directors.	\$129,420
Patricia Denham, Speech Therapist	Direct speech/language service delivery. Performs consultations and evaluations. Attends team meetings. Assists with community partnerships. Works 12 months per year.	\$83,814
Peter Anastapoulos, Teacher	Direct educational/vocational services. Works 12 months per year.	\$84,051
Cari-Ann Dufresne, Teacher	Direct educational services. Works 12 months per year.	\$75,589
Christina Pyne, Counselor	School Adjustment Counselor. Direct counselling services. Consultation with staff and parents. Works 12 months per year.	\$87,044

CHARMS COLLABORATIVE

ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS

for the year ended June 30, 2017

				<u>Page in Financial Statements</u>
A	Voted Cumulative Surplus as of 6/30/2016		\$ 1,091,447	8
B	Amount of (A) used to support the FY17 Budget	\$ 339,080		10
	Amount of (A) returned to member districts	<u> </u>	<u>752,367</u>	
C	Unexpended FY17 General Funds			8
D	Cumulative Surplus as of 6/30/17		752,367	8
	Administrative expenses	\$ 476,445		10
	Program Expenses	<u>\$ 1,931,734</u>		10
E	FY17 Total General Fund Expenditures		<u>\$ 2,408,179</u>	
F	Cumulative Surplus Percentage		31%	

The Cumulative Surplus percentage is greater than 25% because of the prior period adjustment for the OPEB as described in the prior year’s financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
CHARMS Collaborative

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the government activities of CHARMS Collaborative, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CHARMS Collaborative's basic financial statements, and have issued our report thereon dated January 9, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHARMS Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The MP Group, P.C.

Springfield, Massachusetts

January 9, 2018