

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
 Basic Financial Statements	
Statement of Net Position	8
Statement of Activities.....	9
Balance Sheet-Governmental Funds.....	10
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Net Position.....	13
Statement of Changes in Fiduciary Net Position	14
 Notes to Financial Statements.....	 15-27
 Required Supplementary Information	
Statement of Revenues and Expenditures – Budgetary Basis (Unaudited).....	28
Schedule of Funding Progress of Other Post-Employment Benefits.....	29
 Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances – by Program	30
Schedule of Treasurer's Cash	31
Information required by MGL Chapter 40	32
 Reporting Section	
Independent Auditors' report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34

INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of Directors
Central Massachusetts Special Education Collaborative

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Massachusetts Special Education Collaborative (the Collaborative), as of and for the year ended June 30, 2014, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Massachusetts Special Education Collaborative, as of June 30, 2014, and the respective changes in financial position 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 budgetary comparison information and schedules of funding progress on pages 4 through 7 and 28 and 29, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Massachusetts Special Education Collaborative's basic financial statements. The statement of revenues, expenditures and changes in fund balance – by Program, schedule of treasurer's cash, and information required by MGL Chapter 40, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of revenues, expenditures and changes in fund balance – by Program is 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 statement of revenues, expenditures and changes in fund balance – by Program are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of treasurer's cash and information required by MGL chapter 40 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 30, 2014, on our consideration of the Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative's internal control over financial reporting and compliance.

Marcum LLP

Providence, Rhode Island
December 30, 2014

Management Discussion and Analysis (MD&A)

Introduction

The Management's Discussion and Analysis (MD&A) of the Central Massachusetts Special Education Collaborative's (the Collaborative), financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Collaborative's financial performance as a whole. The MD&A is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999.

Financial Highlights

The Collaborative's FY14 budget was developed with an anticipated excess of expenses over revenues of \$1,013,932 to reduce the Collaborative's surplus, while crediting member districts proportionately for their prior years' contribution to this balance. At the end of 2013, the balance in the Collaborative's surplus account was \$2,165,284. During the 2014 fiscal year, the Collaborative used \$391,389 of this balance, and ended the fiscal year with \$1,773,895 in its surplus account. For the FY15 budget, the Collaborative plans to use an additional \$700,000, bringing the anticipated balance in the surplus account to \$1.074M at the end of FY15.

In FY14, actual revenues were \$12,587,975 and actual expenses were \$12,979,364, resulting in a deficit of \$391,389. The increase in revenue over budget was due to increased non-member student enrollment and the receipt of refunds for FICA contributions for active employees for calendar years 2010, 2011 and 2012. The increase in expenditures over budget was due to the reciprocal payment to employees for the balance of FICA contributions and the continuing investment in curriculum and technology upgrades.

Fund financial statements: A fund is a grouping of related accounts that is used to record activity and maintain control over resources that have been segregated for specific activities or objectives. The Collaborative uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds are governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as Collaborative activities in the Government-wide financial statements. However, unlike the Government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal

year. Such information may be useful in evaluating the Collaborative's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide financial statement. By doing so, readers may better understand the long-term impact of the Collaborative's near-term financial decisions. A reconciliation to facilitate the comparison between the governmental financial statements and governmental activities is provided on Page 12.

The Collaborative maintains a General Fund, and a Fiduciary Fund. Information is presented separately in the governmental fund statements of revenues, expenditures and changes in fund balances for the general fund.

The basic governmental fund financial statements can be found on Pages 10-11 of this report.

Notes to the 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. The notes to the financial statements can be found on Pages 15 through 27 of this report.

Government –wide Financial Statement Analysis:

	000's <u>2014</u>	000's <u>2013</u>
Current Assets	<u>\$3,173</u>	<u>\$3,633</u>
Total Assets	3,173	3,633
Current Liabilities	1,399	1,468
Non-current Liabilities	<u>2,395</u>	<u>1,742</u>
Total Liabilities	3,794	3,210
Net Assets		
Unrestricted	<u>(621)</u>	<u>423</u>
Total Net Assets	<u>\$ (621)</u>	<u>\$ 423</u>

Analysis

Included within current assets are \$2,205,251 cash and cash equivalents, and receivables from member towns of \$965,102 for tuition-based programs.

Current liabilities include warrants payable and accrued expenses of \$1,399,127. Non-current liabilities for other post-employment benefits totals \$2,395,012. The Collaborative's liabilities exceeded assets by \$621,117 at the close of the fiscal year.

Financial Analysis of Governmental Funds

	<u>2014</u>	<u>000's</u>	<u>2013</u>	<u>Percent Change</u>
Revenues				
Assessments to member towns	\$ 10,357		\$ 9,856	5%
Charges for Services	1,459		1,319	11%
Grants and Contributions	225		165	36%
Interest	4		9	-56%
Refunds	394		-	100%
Other	148		2	7300%
Total Revenues	<u>12,587</u>		<u>11,351</u>	
				0.142857
Expenses				
Administration	1,127		1,108	2%
Education	<u>12,504</u>		<u>12,020</u>	4%
Total Expenses	<u>13,631</u>		<u>13,128</u>	4%
Change in Net Position	(1,044)		(1,777)	
Net Position - Beginning of Year	<u>423</u>		<u>2,200</u>	
Net Position - End of Year	<u>\$ (621)</u>		<u>\$ 423</u>	

As noted earlier, the Collaborative uses fund accounting to ensure and demonstrate compliance with local, state and federal requirements.

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 financial requirements. In particular, the undesignated fund balance may serve as a useful measure of Collaborative's net resources available for spending at the end of the fiscal year

General Fund

Program Revenues derived from member and non-member communities constitute the largest revenue source representing 98% of the Collaborative's total revenues. Administrative costs are based upon the census of students enrolled on October 1st of each year and allocated to the program expenses based on formula consistent with the collaborative agreement. This amount is supplemented by budgeted transfers in from program funds. The Collaborative's budget must be approved by the Board of Directors annually and requires a majority vote of the Board.

General Fund Budgetary

Actual administrative costs were \$474,821. The actual results generated an overall deficit of expenditures over revenue of \$391,389.

Request for Information

This financial report is designed to provide a general overview of the Collaborative's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Executive Director, Central Massachusetts Special Education Collaborative, 11 McKeon Road, Worcester, Massachusetts 01610.

BASIC FINANCIAL STATEMENTS

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$ 2,205,251
Accounts receivable	965,102
Prepaid expenses	972
Inventory	<u>1,697</u>
Total Assets	<u>3,173,022</u>
Liabilities	
Current Liabilities	
Warrants Payable and accrued expenses	<u>1,399,127</u>
Non-Current Liabilities	
Net OPEB Liability-Note 10	<u>2,395,012</u>
Total Liabilities	<u>3,794,139</u>
Net Position	
Unrestricted	<u>(621,117)</u>
Total Net Position	<u><u>\$ (621,117)</u></u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Charges for Expenses	Program Revenues Charges for Services	Grants & Contributions	Net Expense (Revenue) and changes in Net Position Total Governmental Activities
Governmental Activities				
Administration	\$ 1,127,296	\$ --		\$ 1,127,296
State Aid Intergovernmental on Behalf Payments	225,364	-	\$ 225,364	-
Education	<u>12,279,179</u>	<u>1,459,480</u>	<u>--</u>	<u>10,819,699</u>
Total Governmental Activities	<u>\$ 13,631,839</u>	<u>\$ 1,459,480</u>	<u>\$ 225,364</u>	11,946,995
General Revenues				
FICA refunds				394,209
Member Assessments				10,356,829
Interest				3,851
Miscellaneous				<u>148,242</u>
Total General Revenues				<u>10,903,131</u>
Change in Net Position				(1,043,864)
Net Position - Beginning of Year				<u>422,747</u>
Net Position - End of Year				<u>\$ (621,117)</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**BALANCE SHEET GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund
Assets	
Cash	\$ 2,205,251
Accounts receivable	965,102
Prepaid expenses	972
Inventory	<u>1,697</u>
Total Assets	<u><u>\$ 3,173,022</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable and accrued expenses	<u>\$ 1,399,127</u>
Total Liabilities	<u>1,399,127</u>
Fund Balances	
Unrestricted	<u>1,773,895</u>
Total Fund Balances	<u>1,773,895</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,173,022</u></u>
Fund Balance Governmental Funds	\$ 1,773,895
Amounts reported for governmental activities in the statement of net position are different because:	
Net OPEB liability	<u>(2,395,012)</u>
Net Position of Governmental Activities	<u><u>\$ (621,117)</u></u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2014**

	General Fund
Revenues	
FICA Refunds	\$ 394,209
Member Assessments	10,356,829
Program Tuition	1,459,480
State Aid Intergovernmental on behalf payments-Note 3	225,364
Interest	3,851
Other revenue	148,242
Total Revenues	12,587,975
Expenditures	
Administration	474,821
Basics	762,929
Grants	4,580
Special Revenue	7,900
Central MA Prep	1,083,742
Central MA Academy	1,485,071
Clinical Services	1,334,261
Goddard Academy	2,853,816
Hartwell Learning Center	2,533,354
Summer Program	2,932
Woodward Day Satellite	681,056
Woodward Day School	1,529,538
MA-state reimbursement on behalf payments	225,364
Total Expenditures	12,979,364
Net Change in Fund Balance	(391,389)
Fund Balance July 1, 2013	2,165,284
Fund Balance June 30, 2014	\$ 1,773,895

The notes to the financial statements are an integral part of this statement.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net changes in Fund Balances - Total Governmental Funds	\$ (391,389)
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 governmental funds This represents the increase in the Net OPEB liability for the year ended June 30, 2014-Note 5	<u>(652,475)</u>
Change In Net Position of Governmental Activities	<u><u>\$ (1,043,864)</u></u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	<u>Health Insurance Trust Fund</u>
Assets	
Cash and investments	\$ 1,049,790
Total Assets	1,049,790
Liabilities	<u> --</u>
Net Position	<u><u>\$ 1,049,790</u></u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014**

	<u>Health-Insurance Trust</u>
Additions	
Interest earnings	\$ 8,889
Total Additions	8,889
Deductions	
Benefits	<u> --</u>
Change in Net Position	8,889
Net Position - Beginning of Year	<u>1,040,901</u>
Net Position - End of Year	<u>\$ 1,049,790</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Central Massachusetts Special Education Collaborative (the Collaborative) was established in 1975 and operates under the provisions of Massachusetts general laws Chapter 40, Section 4E as amended by Chapter 797 of the acts of 1974. The Collaborative includes the City of Worcester and the Town of Webster, which are separate legal entities with their own governing bodies. Their operations are not a part of the Collaborative's financial statements.

Assessments: Under the terms of the Collaborative agreement, each member community should be annually assessed for administrative costs, Member Towns were assessed \$10,356,829 for fiscal year 2014 as approved by the Board of Directors.

The Collaborative provides educational, clinical, and therapeutic services to children in grades Kindergarten through twelve for public school districts in central Massachusetts on a tuition basis or assessment fee basis to cover direct operation expenditures. The Board of Directors may also allow non-member communities to participate in specific programs on a cost reimbursement basis.

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through assessments to member towns, intergovernmental revenues and other nonexchange revenues. The Collaborative did not have any business type activity in 2014.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Collaborative does not allocate indirect expenses to functions in the statement of Activities. Program revenues included (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenues.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

B. Basis of Presentation--Continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues and expenditures.

Government Activities

Governmental funds are identified as either general, or fiduciary funds based upon the following guidelines.

General Fund

The General Fund is the general operating fund of the Collaborative and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds

Fiduciary funds are used to account for resources legally held in trust. The Collaborative has one Fiduciary Fund. All resources of the fund, including any earnings on invested resources, must be used to support the payment of OPEB expenditures.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

C. Basis of Accounting

The Collaborative's Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds, proprietary funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

State general aid and other entitlements are recognized as revenue in the period the Collaborative's entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the Collaborative, which are not available, are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include state aid, expenditure-driven programs and interest income.

Charges for services provided to other education agencies and private parties are recognized as revenue when services are provided.

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

D. Measurement Focus

On the Statement of Net Position and Statement of Activities governmental activities and business-type activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays debt proceeds and debt retirements, are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated, using expendable available financial resources, are included as liabilities in the Collaborative's government wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

E. Accounts Receivable

Represents amounts due from Collaborative members and communities participating in the various programs offered by the Collaborative. There is no allowance for doubtful accounts as all receivables were considered collectable at June 30, 2014.

F. Budgets

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for the General Fund as described in Note 1 D.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

G. Compensated Absences and Other Employee Benefit Amounts

The Collaborative's policies allow no carryover of vacation or sick pay.

H. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the Collaborative's financial statements as expense when the related liabilities are incurred. There were no claims or judgments at year-end that require reporting in the financial statements.

I. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Net investment in Capital assets - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of Net investment in Capital assets. The Collaborative has no bonded debt on Capital assets on June 30, 2014.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

I. Equity Classifications--Continued

Fund Statements

Governmental Fund equity is classified as fund balance. Fund Balance for the Governmental Fund financial statements is classified as one of the following five categories:

- **Nonspendable:** Fund balances that cannot be spent because they are either:
 - **Not in Spendable Form:** Generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification would also include some long-term amounts such as property acquired for resale or the long-term portion of loans receivable.
 - **Legally or Contractually Required to be Maintained Intact.** Amounts that are required to be maintained intact, such as the principal of a permanent fund.

- **Restricted:** Amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

- **Committed:** Amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority (School Committee). This classification might also include contractual obligations if existing resources have been committed for use in satisfying those contractual requirements.

- **Assigned:** Amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

I. Equity Classifications--Continued

Fund Statements--Continued

- Unassigned: This is the residual classification for the General Fund – that is, everything that is not in another classification or in another fund. The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

NOTE 2 - CASH

Cash and investments of Collaborative funds are restricted by state statutes. Massachusetts General Law authorizes the Collaborative to invest in term deposits, Certificates of Deposit: in trust companies, national banks, savings banks or in obligations issued by the U.S. Government or one of its agencies.

Credit Risk

The carrying amount of the Collaborative’s deposits is separately displayed on the balance sheet as cash. The carrying amount represents reconciled book balances.

	June 30, 2014	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC and DIF)	<u>\$ 3,255,041</u>	<u>\$ 3,710,892</u>

Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 and deposits, including Certificates of Deposits in Massachusetts-chartered savings banks are insured in full above the FDIC limit from the Depositors Insurance Fund (DIF) of Massachusetts.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 - CASH--CONTINUED

Credit Risk--Continued

Cash is reported in the financial statements as follows. The Collaborative did not have any cash equivalents at June 30, 2014.

Governmental Activities	\$ 2,205,251
Fiduciary – Type Activities	<u>1,049,790</u>
	<u>\$ 3,255,041</u>

NOTE 3 - RETIREMENT BENEFIT PLANS

Teaching Staff

Teachers, certain administrative personnel and other professional employees (“teachers”) are covered by and must participate in the Massachusetts Teachers’ Retirement System (MTRS). The Collaborative is not legally required to contribute to MTRS. MTRS is fully funded by the Commonwealth of Massachusetts and contribution from covered employees. The amount of the current funding by the Commonwealth is not available.

Benefits fully vest after 10 years of full-time employment. An employee may receive retirement benefits after 20 years of service, or after 10 years of service and having attained the age of 55.

Covered employees are required by state statute to contribute to the plan 5% to 11% of their salaries, depending on date of employment, and, for the employees hired after December 31, 1978, an additional 2% of their salaries in excess of \$30,000 may be contributed for those who do not contribute at the 11% rate. The Commonwealth is required to make actuarially determined contributions that maintain the financial integrity of the retirement system. The payroll for teaching staff covered by MTRS for the year ended June 30, 2014 was \$6,810,754.

The District reports pension payments made to the Collaborative retirees by the Massachusetts Teachers’ Retirement Board as on-behalf pension payments. The Massachusetts Teachers’ Retirement Board paid a total of \$225,364 in pension benefits for the fiscal year ended June 30, 2014 to teachers who were employed by the District when they retired. The Collaborative is not legally responsible for these payments.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - RETIREMENT BENEFIT PLANS--CONTINUED

COBRA Benefits

Under the Consolidation Omnibus Budget Reconciliation Act (COBRA), the Collaborative provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government of this coverage. The premiums are paid in full by the insured. This program is offered for a period of 18 months after the termination date. There is no associated cost to the Collaborative under this program.

NOTE 4 - LEASE DISCLOSURES

The Collaborative rents classroom and office space as a tenant-at-will from several of its member communities on an annual basis. The following summarizes rent by location.

<u>Location</u>	<u>Rental Space</u>	<u>Annual Rent</u>
West Boylston – 100 Hartwell St	School Building	\$ 689,565
Worcester – 11 McKeon Rd.	School Building	\$ 137,530
Worcester – 190 Freemont St	School Building	\$ 80,850

Rent expense, which is allocated to the respective programs, totaled \$982,606 for the fiscal year ended June 30, 2014.

In addition, the Collaborative leases copy equipment. Future minimum lease payments, by year and in the aggregate, under noncancellable operating equipment leases with initial or remaining terms of one year or more consisted of the following at June 30, 2014.

	<u>Operating Leases</u>
2015	\$ 17,457
2016	1,393
Total Minimum Lease Payments	<u>\$ 18,850</u>

Rent expense for operating leases for fiscal 2014 totaled \$31,073.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable available financial resources. In the Statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is as follows:

Other Post Employment Benefits	<u>\$ (652,475)</u>
--------------------------------	---------------------

NOTE 6 - RISK MANAGEMENT

The Collaborative is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; workers compensation and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage. There were no significant changes in coverage compared to the prior year.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

From time to time, the Collaborative may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Collaborative's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Collaborative's financial position or results of operations.

The Collaborative has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 8 – OPERATING BUDGET--2014

The operating budget for salary and expenditure reports were reviewed at Board meetings each month in fiscal 2014. The operating budget appears on Page 28 of these financial statements.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - BUDGETED EXPENDITURES FOR THE 2015 FISCAL YEAR

Expenditures budgeted for fiscal 2015 which were approved by the Collaborative's Board of Directors on August 14, 2014 totaled \$13,220,974 and were as follows:

	<u>Operating Costs</u>
Operating Expenditures	\$ 1,723,409
Personnel Expenditures	<u>11,497,565</u>
Total fiscal 2015 budget	<u>\$13,220,974</u>

NOTE 10--OTHER POST-EMPLOYMENT BENEFITS PAYABLE

Plan Description

The Collaborative will pay 99 percent of health care benefits for retirees and their spouses who retired prior to 1991. Subsequent to that, the Collaborative will pay 75% of health care benefits. The Plan assets are held in an irrevocable trust.

Funding Policy

Required contributions are based on projected pay-as-you-go financing. The cost of administering the plan is paid by the Collaborative. The Collaborative provided required contributions of \$7,444 toward the annual Other Post-Employment Benefit (OPEB) cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions. In addition the irrevocable trust earned \$8,889 in interest earnings.

Annual OPEB Cost and Net OPEB Obligation

The Collaborative's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Collaborative has engaged an actuary to calculate the ARC and related information in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10--OTHER POST-EMPLOYMENT BENEFITS PAYABLE--CONTINUED

Annual OPEB Cost and Net OPEB Obligation--Continued

The following table shows the components of the Collaborative's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Collaborative's net OPEB obligation to the plan at June 30, 2014:

Annual OPEB Costs

Normal Cost	\$ 572,479
Amortization of unfunded actuarial accrued liability	<u>96,399</u>
Annual required contribution	668,878
Interest on OPEB obligation	69,701
Adjustment to Annual Required Contribution	<u>(78,660)</u>
Annual OPEB cost (expense)	659,919
Net OPEB contributions made during the fiscal year	<u>(7,444)</u>
Increase in net OPEB obligation	652,475
Net OPEB obligation, beginning of year	<u>1,742,537</u>
Net OPEB obligation, end of year	<u>\$2,395,012</u>

The Collaborative's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 was as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/14	\$ 659,919	1%	\$2,395,012

Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10--OTHER POST-EMPLOYMENT BENEFITS PAYABLE--CONTINUED

Actuarial Methods and Assumptions

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

The Collaborative's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of June 30, 2014 and to estimate the Collaborative's Fiscal Year 2014 annual required contribution. The OPEB liability is currently unfunded and the actuarial assumptions also include a 4.00 percent rate of return on invested assets. The actuarial assumptions also include an unexpected payroll growth of -0- percent, and an annual health care cost trend rate of 9 percent for medical for Fiscal Year 2015. The medical cost rate is reduced to a final cost rate of 5 percent in fiscal year 2023. The unfunded actuarial accrued liability is being amortized at 4 percent per year over 30 years at transition. The remaining amortization period at July 1, 2013 is 26 years.

REQUIRED SUPPLEMENTARY INFORMATION

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
(UNAUDITED)
For the Year Ended JUNE 30, 2014**

Revenues	Original/Final Operating Budget	Actual	Variance Favorable (Unfavorable)
Programs and Assessments	\$ 11,528,691	\$ 11,964,549	\$ 435,858
Interest	--	3,853	3,853
Other Revenue	--	394,209	394,209
Total Revenues	<u>11,528,691</u>	<u>12,362,611</u>	<u>833,920</u>
Expenditure			
Administration	--	474,821	(474,821)
Central MA Academy	1,432,275	1,485,071	(52,796)
Central MA Prep	1,103,734	1,083,742	19,992
Clinical Services	1,316,812	1,334,261	(17,449)
Basics	710,538	762,929	(52,391)
Goddard Academy	2,893,831	2,853,816	40,015
Grants	--	4,580	(4,580)
Special Revenue	--	7,900	(7,900)
Hartwell Learning Center	2,676,094	2,533,354	142,740
Summer Program	72,730	2,932	69,798
Woodward Day Satellite	715,394	681,056	34,338
Woodward Day School	<u>1,621,215</u>	<u>1,529,538</u>	<u>91,677</u>
Total Expenditure	<u>12,542,623</u>	<u>12,754,000</u>	<u>(211,377)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,013,932)</u>	<u>(391,389)</u>	<u>622,543</u>
Other Financing Sources			
Use of designated fund balance	<u>1,013,932</u>	<u>1,013,932</u>	<u>--</u>
Excess of Revenues and Other Financing Sources over Expenditures	<u>\$ -</u>	<u>\$ 622,543</u>	<u>\$ 622,543</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**SCHEDULE OF FUNDING PROGRESS OF OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2014**

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
7/1/2013	\$1,049,790	\$3,821,652	\$2,780,752	37%	\$8,300,000	33.5%
7/1/2012	\$1,028,239	\$4,338,750	\$3,310,511	24%	\$7,600,000	43.6%
7/1/2011	\$1,005,523	\$3,719,314	\$2,713,791	37%	\$7,500,000	35.9%

SUPPLEMENTARY INFORMATION

Central Massachusetts Special Education Collaborative

Statement of Revenues, Expenditures and Changes in Fund Balances - by Program

For the Year Ended June 30, 2014

	Administration	Fundraising	Basics Program	Central MA Academy	Central MA Prep	Clinical Services	Grants	Goddard Academy	Hartwell Learning Center	Summer Program	Woodward Day Satellite	Woodward Day School	TOTAL
Assessment Center	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Clinical Services	-	-	-	-	-	85,978	-	-	-	-	-	-	85,978
Consultative Income	-	-	-	-	-	22,950	-	-	-	-	-	-	22,950
FICA Refund	394,209	-	-	-	-	-	-	-	-	-	-	-	394,209
E-Rate	-	-	-	-	-	-	8,352	-	-	-	-	-	8,352
Fundraising Income	-	868	-	451	-	-	-	2,898	509	-	-	-	4,726
Grant Income	7,350	7,600	-	-	-	-	6,107	-	2,500	-	-	-	23,557
Misc Income	7,583	-	-	-	-	-	-	-	150	-	-	-	7,733
Interest	3,851	-	-	-	-	-	-	-	-	-	-	-	3,851
Member Program Income	-	-	729,573	1,243,501	943,129	1,090,064	-	1,906,493	2,270,042	45,000	652,423	1,476,606	10,356,831
Non-Member Student Tuition	-	-	-	68,484	87,775	-	-	920,750	334,658	47,813	-	-	1,459,480
Total Revenues	412,993	8,468	729,573	1,312,436	1,030,904	1,198,992	14,459	2,830,141	2,607,859	92,813	652,423	1,476,606	12,367,667
Expenditures													
Administrative Overhead	(737,566)	-	41,589	119,535	81,061	45,925	-	227,672	179,710	-	53,905	112,695	124,526
Bank Charge	758	-	-	41	55	-	-	71	82	-	36	107	1,150
Building Maintenance	-	-	-	337	3,923	-	-	8,262	19,892	-	1,525	7,719	41,658
Classroom Equipment	8,894	-	-	808	3,484	-	-	(199)	774	-	-	935	14,696
Consultants & Training	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractual Services	63,785	-	-	-	77	-	-	245	300	-	-	-	64,407
Dues & Subscriptions	7,779	-	-	-	-	-	-	-	-	-	-	-	7,779
Equipment Maintenance	66,208	-	-	-	-	-	-	341	-	-	-	-	66,549
Fundraiser Events	1,202	7,894	-	111	-	-	580	2,790	1,607	-	-	-	14,184
General School Supplies	350	-	-	1,589	2,809	-	-	7,832	9,286	-	1,101	4,389	27,356
Grants	6,583	-	-	-	-	-	4,000	3,457	178	-	-	-	14,218
Instructional Equipment	14,575	-	-	43	3,758	225	-	50	4,790	-	17	85	23,543
Instructional Materials	6,732	-	-	1,372	599	871	-	3,999	1,155	-	144	(5,456)	9,416
Insurance	123,277	-	-	-	-	-	-	2,234	-	-	-	-	125,511
Medical Supplies	-	-	-	1,028	423	-	-	2,647	2,319	-	-	20	6,437
Non-Curricular Expenses	1,305	-	43	118	(277)	-	-	846	(72)	-	(71)	16	1,908
Office Equipment	16,125	-	-	377	1,881	-	-	767	896	-	-	551	20,597
Office Supplies	14,701	-	-	403	317	-	-	1,827	1,747	-	111	2,421	21,527
Other Instructional Materials	3,572	-	-	1,001	368	-	-	5,142	3,822	-	421	12,591	26,917
Other Instructional Services	-	-	-	1,342	717	-	-	1,911	1,774	-	612	1,867	8,223
Outside Agencies	1,350	-	607,850	745	-	-	-	2,491	2,221	-	-	-	614,657
Permits	-	-	-	-	30	-	-	95	30	-	-	105	260
Postage	1,399	6	-	9	147	-	-	678	594	-	-	98	2,931
Professional Development	9,401	-	-	-	57	1,829	-	61	3,875	-	-	120	15,343
Rental of Equipment	11,590	-	-	3,414	600	-	-	6,025	4,046	-	1,599	3,799	31,073
Rental of Property	16,180	-	113,447	-	74,662	-	-	215,135	262,682	-	98,300	202,200	982,606
Technology Equipment & Software	222,537	-	-	446	-	-	-	526	-	-	-	(11,288)	212,221
Total Employee Benefits	-	-	-	136,892	89,901	149,407	-	230,092	238,557	-	36,812	116,474	998,135
Total Payroll Expenses	163,673	-	-	27,040	21,218	16,035	-	68,004	57,519	42	8,141	17,527	379,199
Total Summer Program Pay	-	-	-	13,929	12,487	-	-	20,560	32,301	2,166	5,841	6,030	93,314
Transportation	185	-	-	1,620	-	-	-	10,268	-	-	-	-	12,073
Travel Expense	288	-	-	-	598	-	-	-	359	-	2	32	1,279
Utilities	25,539	-	-	324	-	692	-	3,154	3,124	-	1,670	14,785	49,288
Wages & Salaries - Other	429,455	-	-	1,172,547	784,847	1,119,277	-	2,026,833	1,699,786	724	470,890	1,041,716	8,746,075
Total Expenditures	479,877	7,900	762,929	1,485,071	1,083,742	1,334,261	4,580	2,853,816	2,533,354	2,932	681,056	1,529,538	12,759,056
Excess of Revenues Over/ (Under) Expenditures	(66,884)	568	(33,356)	(172,635)	(52,838)	(135,269)	9,879	(23,675)	74,505	89,881	(28,633)	(52,932)	(391,389)
Fund Balance July 1, 2013	1,493,671	2,921	47,317	175,890	276,469	(200,579)	(1,465)	(5,424)	363,740	43,553	(40,527)	9,718	2,165,284
Fund Balance June 30, 2014	\$ 1,426,787	\$ 3,489	\$ 13,961	\$ 3,255	\$ 223,631	\$ (335,848)	\$ 8,414	\$ (29,099)	\$ 438,245	\$ 133,434	\$ (69,160)	\$ (43,214)	\$ 1,773,895

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**SCHEDULE OF TREASURER'S CASH
JUNE 30, 2014**

COMPOSITION OF CASH AT YEAR END:

Interest Bearing Accounts:

Cash is comprised of:

Hometown Bank (6 accounts)	\$ 1,051,932
Bancorp Bank	1,047
Webster First Federal Credit Union (5 bank accounts)	<u>2,202,062</u>
TOTAL CASH	<u>\$ 3,255,041</u>

Presentation of cash in accompanying statements:

Governmental Funds	\$ 2,205,251
Health-Insurance Trust Fund	<u>1,049,790</u>
	<u>\$ 3,255,041</u>

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**INFORMATION REQUIRED BY MGL CHAPTER 40
JUNE 30, 2014**

Transactions between the education collaborative and any related for-profit or non-profit organization (n/a).

Transactions or contracts related to the purchase, sales, rental or lease of real property (Note 4).

The duties and total compensation of the 5 most highly compensated employees:

<u>NAME</u>	<u>TITLE</u>	<u>Total Compensation</u>
Dr. P. Rosen	Director Clinical Services	\$ 125,363
J. Pitsillides	HLC Program Director	\$ 102,396
A. Ortiz	CMA Program Director	\$ 98,354
M. Kelly	CMP Program Director	\$ 96,425
M. Baker	Executive Director	\$ 91,923

The amounts expended on administration and overhead \$474,821.

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

The amounts expended on services age 22 and older (n/a).

Any other items as may be required by regulation (none).

REPORTING SECTION

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

Honorable Members of the Board of Directors
Central Massachusetts Special Education 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 governmental activities, each major fund, and the aggregate remaining fund information of Central Massachusetts Special Education Collaborative as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Central Massachusetts Special Education Collaborative's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Central Massachusetts Special Education 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 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 result 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.

Marcum LLP

Providence, Rhode Island
December 30, 2014