

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

**BASIC FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2015

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

TABLE OF CONTENTS

JUNE 30, 2015

	Page No.
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 5
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet – Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	11
Statement of Fiduciary Net Position – Retirees' Health Insurance Trust Fund	12
Statement of Changes in Fiduciary Net Position – Retirees' Health Insurance Trust Fund	13
Notes to Financial Statements	14 - 24
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund – Budget and Actual – Budgetary Basis (Unaudited)	26
Schedule of Funding Progress of Other Post-Employment Benefits	27
SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances– by Program	29
Information Required by MGL Chapter 40	30
Schedule of Treasurer's Cash	31
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



**Business Advisors
Certified Public Accountants**

Independent Auditors' Report

To 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, and each major fund, of Central Massachusetts Special Education Collaborative (the Collaborative), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents. We have audited the accompanying financial statements of the government activities of Central Massachusetts Special Education Collaborative as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Central Massachusetts Special Education Collaborative as of June 30, 2015, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 and the budgetary comparison information on page 26 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 basic financial statements. The supplementary information on pages 29-31 is presented for the purpose of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of Central Massachusetts Special Education Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Massachusetts Special Education Collaborative's internal control over financial reporting and compliance.

Pauro, Ratcliff, Rini + Co. LLC

Franklin, Massachusetts
October 29, 2015

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

The following discussion and analysis of the Central Massachusetts Special Education Collaborative (the Collaborative) financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2015 and summarized comparative information for 2014. The Collaborative complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. Please read it in conjunction with the Collaborative's financial statements, which follow.

OVERVIEW OF THE FINANCIAL REPORTS

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

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

Government-wide Statements

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

- The **Statement of Net Position** presents information on all of the Collaborative's assets and liabilities with the difference between the two reported as *net position*. It is one way of measuring the Collaborative's financial health or position.
- 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.

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL REPORTS *(continued)*

Fund Financial statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summarized **Statement of Net Position** is for the fiscal year 2015 with comparative information from fiscal year 2014. Liabilities exceeded assets by \$1.4 million at the close of 2015, primarily due to the actuarially determined liability for postemployment benefits (OPEB) which totaled \$3.2 million as of June 30, 2015.

The net position invested in capital assets reflects capital budget funding provided by the Department of Public Health for furniture and equipment for the Recovery High School, scheduled to open in fiscal year 2016.

	June 30, 2015	June 30, 2014
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$ 3,063,157	\$ 3,287,535
Capital assets	132,013	-
Total assets	<u>\$ 3,195,170</u>	<u>\$ 3,287,535</u>
Current liabilities, i.e. warrants payable and accrued expenses	\$ 1,359,183	\$ 1,399,127
Non-current liabilities	3,210,130	2,509,525
Total liabilities	<u>\$ 4,569,313</u>	<u>\$ 3,908,652</u>
Net position:		
Invested in capital assets	\$ 132,013	\$ -
Unrestricted	(1,506,156)	(621,117)
Total net position	<u>\$(1,374,143)</u>	<u>\$ (621,117)</u>

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

As indicated in the following summarized **Statement of Activities**, net assets decreased by \$753,026 during fiscal year 2015, due, primarily, to costs incurred for the new Recovery High School program and unbudgeted OPEB expenses. Charges for student services increased by 6.7%, while expenses for student services increased by 3.5%.

	Year ended June 30, 2015	Year ended June 30, 2014	% Change
Revenues:			
Charges for student services	\$12,605,367	\$11,816,309	+6.7%
Grants & contributions	181,164	-	
Administrative revenue	2,200	-	
Intergovernmental	1,325,684	225,364	
Other	241,302	542,451	
Interest income	<u>3,592</u>	<u>3,851</u>	
Total revenues	<u>14,359,309</u>	<u>12,587,975</u>	
Expenses:			
Student services	12,712,314	12,279,179	+3.5%
General and administrative	1,074,337	1,127,296	
Intergovernmental	<u>1,325,684</u>	<u>225,364</u>	
Total expenses	<u>15,112,335</u>	<u>13,631,839</u>	
Change in net position	(753,026)	(1,043,864)	
Net position – beginning	<u>(621,117)</u>	<u>422,747</u>	
Net position - ending	<u>\$(1,374,143)</u>	<u>\$ (621,117)</u>	

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2015 was developed anticipating the use of \$700,000 of cumulative surplus to cover a projected operating deficit on a government fund basis. In 2015, actual revenues were higher than budgeted amounts by approximately \$513k, primarily due to funding of \$174k from a Department of Public Health Grant and FICA refunds from prior year excess payments totaling \$227k. Operating expenditures were lower than budgeted amounts by approximately \$1,100.

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.

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
CURRENT ASSETS:	
Cash	\$ 2,753,524
Accounts receivable	291,025
Due from Health Insurance Trust	17,618
Prepaid expenses	990
Total current assets	<u>3,063,157</u>
PROPERTY, PLANT AND EQUIPMENT:	
Capital assets	132,013
Accumulated depreciation	-
Net property, plant and equipment	<u>132,013</u>
Total assets	<u>3,195,170</u>
CURRENT LIABILITIES:	
Warrants payable and accrued expenses	1,359,183
NON-CURRENT LIABILITIES:	
Net OPEB Liability	<u>3,210,130</u>
TOTAL LIABILITIES:	<u>4,569,313</u>
NET POSITION:	
Invested in capital assets	132,013
Unrestricted	(1,506,156)
Total net position	<u><u>\$ (1,374,143)</u></u>

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

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	Charges for Expenses	Program Revenues Charges for Services	Grants & Contributions	Total
Governmental Activities:				
Student services	\$ 12,712,314	\$ 12,605,367	\$ 181,164	\$ (74,217)
General and administrative	1,074,337	-	-	1,074,337
Intergovernmental revenue and expense	1,325,684	1,325,684	-	-
Total Governmental Activities	<u>\$ 15,112,335</u>	<u>\$ 13,931,051</u>	<u>\$ 181,164</u>	1,000,120
General revenue:				
FICA refunds				227,365
Interest				3,592
Miscellaneous				<u>16,137</u>
Total General Revenue				<u>247,094</u>
Change in Net Position				(753,026)
NET POSITION, BEGINNING OF YEAR				<u>(621,117)</u>
NET POSITION, END OF YEAR				<u>\$ (1,374,143)</u>

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

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2015

ASSETS:

Cash	\$ 2,753,524
Accounts receivable	291,025
Due from Health Insurance Trust	17,618
Prepaid expenses	990
Total assets	<u>\$ 3,063,157</u>

LIABILITIES:

Accounts payable and accrued expenses	<u>1,359,183</u>
Total liabilities	1,359,183

FUND BALANCES:

Cumulative surplus (Unassigned)	<u>1,703,974</u>
Total fund balances	1,703,974
Total liabilities and fund balances	<u>\$ 3,063,157</u>

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

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Government Contract	Total
REVENUES:			
FICA Refunds	\$ 227,365	\$ -	\$ 227,365
Student services	12,588,707	181,164	12,769,871
			-
Intergovernmental revenue	1,325,684	-	1,325,684
Interest	3,592	-	3,592
Other revenue	32,797	-	32,797
			-
Total revenues	14,178,145	181,164	14,359,309
EXPENDITURES:			
Administration	1,036,014		1,036,014
Capital outlay	-	132,013	132,013
Special Revenue - Government Contracts	-	300	300
Central MA Academy	1,333,396	-	1,333,396
Central MA Prep	1,075,406	-	1,075,406
Clinical Services	1,357,279	-	1,357,279
Goddard Academy	2,623,452	-	2,623,452
Hartwell Learning Center	2,362,814	-	2,362,814
Recovery High School	-	124,888	124,888
Summer Program	98,892	-	98,892
THRIVE (formerly Basics)	1,014,395	-	1,014,395
Woodward Day Satellite	499,138	-	499,138
Woodward Day School	1,560,072	-	1,560,072
Intergovernmental expense	1,325,684	-	1,325,684
			-
Total expenditures	14,286,542	257,201	14,543,743
 Revenue over (under) expenditures	 (108,397)	 (76,037)	 (184,434)
 FUND BALANCES, BEGINNING OF YEAR	 1,773,895	 -	 1,773,895
PLUS RESTATEMENT OF PRIOR YEAR FUND BALANCES	114,513	-	114,513
FUND BALANCES, END OF YEAR	\$ 1,780,011	\$ (76,037)	\$ 1,703,974

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

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

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

JUNE 30, 2015

Total fund balance, governmental funds \$ 1,703,974

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 132,013

The Other postemployment benefit (OPEB) liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position. (3,210,130)

Net Position of Governmental Activities in the Statement of Net Position \$(1,374,143)

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

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

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

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in balances -governmental funds \$(184,434)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation in the current period.

132,013

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in other postemployment benefits (OPEB) accrual (700,605)

Changes in net position of governmental activities \$(753,026)

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

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION
COLLABORATIVE**

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	<u>Retirees' Health Insurance Trust Fund</u>
ASSETS	
Cash and investments	<u>\$943,711</u>
Total assets	943,711
LIABILITIES	
Due to Central Massachusetts Special Education Collaborative	<u>17,618</u>
NET POSITION	<u>\$926,093</u>

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

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION
COLLABORATIVE**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Retirees' Health Insurance Trust Fund
ADDITIONS:	
Central Massachusetts Special Education Collaborative contributions	\$ -
Interest income	<u>8,434</u>
Total additions	<u>8,434</u>
DEDUCTIONS:	
Administrative expenses	-
Benefits to retirees and beneficiaries	<u>17,618</u>
Total deductions	<u>17,618</u>
Increase (decrease) in net position	(9,184)
NET POSITION, BEGINNING OF YEAR	1,049,790
LESS RESTATEMENT	<u>(114,513)</u>
NET POSITION, END OF YEAR	<u>\$ 926,093</u>

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

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(1) NATURE OF ORGANIZATION AND REPORTING ENTITY

(a) Organization

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 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 \$11,415,327 for fiscal year 2015 as approved by 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) Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the Governmental Accounting Standards Board, the accompanying financial statements present the Central Massachusetts Special Education Collaborative and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Collaborative are significant. Pursuant to these criteria, the Collaborative did not identify any component units requiring inclusion in the accompanying financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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 non-exchange revenues. The Collaborative did not have any business type activity in 2015.

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Presentation (Continued)

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.

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

Government funds are identified as either general, or fiduciary funds based upon the following guidelines:

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 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 Other Post-Employment Benefits (OPEB) expenditures.

(b) 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, judgments,

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting (Continued)

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 is 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 unearned revenue. Amounts received prior to the entitlement period are also recorded as unearned 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.

(c) 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.

(d) 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 collectible at June 30, 2015.

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Budgets

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting or the General Fund.

(f) Compensated Absences and Other Employee Benefit Amounts

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

(g) 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.

(h) Equity Classifications

Government-wide Statements

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

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, 2015.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors of laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.

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 FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Equity Classifications (Continued)

Governmental 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, or

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.

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.

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

(i) 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.

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) *Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

(3) 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, 2015	
	Carrying Amount	Bank Balance
Governmental Activities	\$2,753,524	\$3,016,882
Fiduciary – Type Activities	\$943,711	\$943,711

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.

The Collaborative did not have any cash equivalents at June 30, 2015.

(4) CAPITAL ASSETS

Capital assets consist of furniture and equipment purchased for the Recovery High School program during fiscal year 2015 with funds from the Commonwealth of Massachusetts Department of Public Health. The High School Program's scheduled opening was September of 2015 and, therefore, the assets are subject to depreciation beginning in fiscal year 2016.

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(5) CUMULATIVE SURPLUS

In accordance with Massachusetts regulation 603 C.M.R. 50.07, the Collaborative has determined that its Cumulative Surplus as of June 30, 2015 is equal to the Unassigned General Fund Balance of \$1,703,974. The Collaborative Agreement stipulates that the Board will retain no more than 25 percent of the previous year's (i.e. audited year's) general fund expenditures, which is equal to \$3,635,482, in cumulative surplus.

(6) RETIREMENT BENEFIT PLAN

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

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The Collaborative's contribution rate was 5.6% of MSERS wages as of June 30, 2015 and totaled \$122,211 for the fiscal year then ended. This contribution is calculated per MGL 32, & 28(4)(c) as a reimbursement to the Massachusetts State Retirement Board (the Board) for its share of any retirement allowance or pension amounts paid by the Board during the preceding calendar year which were based on service to the Collaborative as determined by the plan actuary. Legally, the Collaborative is responsible for contributing the annual normal cost of its employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and is not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaborative. The Commonwealth as a nonemployer contributor is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As such the Commonwealth contributes to the Massachusetts State Employees' Retirement System on behalf of the Collaborative. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Contributions made by the Commonwealth "on behalf" of the Collaborative totaled \$101,212. 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 6/30/14	\$2,577,228
Proportionate share of plan pension expense	\$190,797
Net amortization of deferred amounts from change in proportion	\$(7,529)
Total employer pension expense	\$183,268

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(6) RETIREMENT BENEFIT PLAN (Continued)

The Commonwealth of Massachusetts contributes to the Massachusetts Teachers Retirement System (MTRS) on behalf of the Collaborative. The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Pension support provided to the Collaborative totaled \$1,224,472. 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 Teachers' Retirement Board and audited by KPMG,LLP:

Proportionate share of the net pension liability at 6/30/14	\$17,624,690
Commonwealth pension support provided	\$1,039,296
Total employer pension expense and revenue for Commonwealth support	\$1,224,472

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

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

(7) LEASE DISCLOSURES

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

Location	Rental Space	Annual Rent
West Boylston – 100 Hartwell St.	School Building	\$790,177
Worcester – 11 McKeon Rd.	School Building & Offices	\$141,695
Worcester -190 Freemont St.	School Building	\$80,850

Rent expense, which is allocated to the respective programs, totaled \$1,012,722 for the fiscal year ended June 30, 2015.

During fiscal year 2015, the Collaborative entered into a triple net lease agreement for classroom space to accommodate the new Recovery High School Program at 20 Rockdale St., Worcester. The lease term is 8/1/15 – 7/31/25. Minimum monthly payments are \$39,583. The lease contains an escalation clause for an 8% increase in the 6th year. The lease provides for two five-year renewal options.

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(7) LEASE DISCLOSURES (Continued)

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, 2015:

Fiscal year end	Amount
June 30, 2016	\$26,874
June 30, 2017	24,249
June 30, 2018	<u>7,371</u>
Total Minimum Lease Payments	<u>\$58,494</u>

Rent expense for operating leases for fiscal 2015 totaled \$31,880.

(8) 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.

(9) 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 audited 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.

(10) OTHER POST-EMPLOYMENT BENEFITS PAYABLE (OPEB)

Plan Description

The Collaborative will pay 99% 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. Beginning in fiscal year 2014, the Collaborative eliminated reimbursements for Medicare Part B premiums for Medicare eligible retirees.

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(10) OTHER POST-EMPLOYMENT BENEFITS PAYABLE (OPEB) (Continued)

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 \$17,618 in fiscal year 2015 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 \$8,434 in interest net of related fees of \$89.

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 unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

The following table, based on an actuarial report for the year ended June 30, 2014 rollforward calculations, 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, 2015:

Annual OPEB Costs

Normal cost	\$ 595,377
Amortization of unfunded actuarial accrued liability	<u>96,399</u>
Annual required contribution	691,776
Interest on OPEB obligation	95,800
Adjustment to annual required contribution	<u>(78,660)</u>
Annual OPEB cost (expenses)	708,916
Net OPEB contributions made during the fiscal year	<u>(8,311)</u>
Increase in net OPEB obligation	700,605
Net OPEB obligation, beginning of year as restated (Note 11)	<u>2,509,525</u>
Net OPEB obligation, end of year	<u>\$ 3,210,130</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, 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	\$708,916	2.49%	\$3,095,617

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(10) OTHER POST-EMPLOYMENT BENEFITS PAYABLE (OPEB) (Continued)

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.

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 and to estimate rollforward numbers for June 30, 2015. 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.

(11) PRIOR YEAR RESTATEMENT

An operating bank account was incorrectly grouped with the health insurance trust accounts in prior years. This had the effect of understating both cash and OPEB liability on the Collaborative financial statements and overstating cash and net assets on the Health Insurance Trust Fiduciary financial statements. A correcting reclassification was made during fiscal year 2015 in the amount of \$114,513.

(12) SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through October 29, 2015, which is the date the financial statements were available to be issued.

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION
COLLABORATIVE**

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION
COLLABORATIVE**

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

FOR THE YEAR ENDED JUNE 30, 2015

	Original/Final Budget	Actual Budgetary Amounts	Variance Favorable (Unfavorable)
REVENUES:			
Programs and Assessments	\$ 12,520,974	\$ 12,769,871	\$ 248,897
Interest		3,592	3,592
Other Revenue		260,162	260,162
Total revenues	12,520,974	13,033,625	512,651
EXPENDITURES:			
Operational:			
Insurance - Worker's Comp and Liability	117,000	112,079	4,921
Administrative expenses	54,019	109,020	(55,001)
Instructional expenses	163,475	567,129	(403,654)
Non-instructional expenses	165,405	113,865	51,540
Occupancy	1,209,380	1,115,280	94,100
Transportation	14,130	14,053	77
Total operational expenditures	1,723,409	2,031,426	(308,017)
Personnel:			
Wages and salaries	9,861,438	9,717,443	143,995
Employee benefits	1,636,127	1,471,007	165,120
Total salaries and benefits	11,497,565	11,188,450	309,115
Total expenditures	13,220,974	13,219,876	1,098
Revenue over (under) expenditures	\$ (700,000)	\$ (186,251)	\$ 513,749
Other Financing Sources (Uses)			
Use of cumulative surplus	\$ (700,000)	\$ (186,251)	
FUND BALANCES AT BEGINNING OF YEAR RESTATED	1,890,225	1,890,225	
FUND BALANCES AT END OF YEAR	\$ 1,190,225	\$ 1,703,974	

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

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION
COLLABORATIVE**

SCHEDULE OF FUNDING PROGRESS OF OTHER POST-EMPLOYMENT BENEFITS

JUNE 30, 2015

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (b)	Unfunded AL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$926,093	\$4,539,405	\$3,613,312	20%		
7/1/2013	\$926,847	\$3,821,652	\$2,894,805	24%	Per actuarial report - payroll is not reflected in the analysis as benefit and retiree contribution rates are not based on payroll.	
7/1/2012	\$1,028,239	\$4,338,750	\$3,310,511	24%		
7/1/2011	\$1,005,523	\$3,719,314	\$2,713,791	27%		

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION
COLLABORATIVE**

SUPPLEMENTARY INFORMATION
JUNE 30, 2015

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GENERAL FUND - BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2015

	Admin	Fund raising	Central MA Academy	Central MA Prep	Clinical Services	Gov't Contracts	Academy	Goodhard	Hartwell Learning Center	Recovery High School	Summer Program	THRIVE Program	Woodward Day Satellite	Woodward Day School	TOTAL
Revenues:															
Clinical services					\$ 90,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,293
FICA Refund	227,365														227,365
Fundraising income			1,826				2,702	2,952						367	7,847
Government contract income						7,560				175,604					181,164
Misc income	16,137		79		1,350		6,370					1,014			24,950
Interest	3,592														3,592
Member program income			1,411,326	959,152	1,244,896		2,691,100	2,657,860			88,767	757,051	666,830	938,546	11,415,328
Non-member student tuition			75,561	155,226			224,040	325,654			76,433	219,889	6,283		1,083,086
Total Revenues	247,094		1,488,992	1,114,378	1,336,339	7,560	2,914,212	2,986,466		175,604	165,200	977,954	673,113	938,713	13,033,625
Expenditures:															
Accounting & legal	88,933			15											88,968
Advertising	1,254														1,254
Building maintenance	27,606			2,120			13,923	15,330					2,584	10,746	72,309
Capital outlay			2,319	1,129						132,013					132,013
Classroom equipment	17,664						50			14,572				259	19,683
Consultants & training	11,170						230			375					18,089
Contractual services	7,910														11,400
Dues & subscriptions	473							28							7,938
Equipment maintenance			1,063				158	409					502	92	1,634
Fundraiser events			2,709	1,746	198		2,499	2,084				5,906		300	5,946
General school supplies	600						4,617	3,435					453	3,309	23,109
Instructional materials	(1,132)		3,627	1,676		300	355	4,021		53,568			2,120	2,785	63,749
Insurance	112,079						8,496	2,403		301		403	1,010	11,315	28,099
Medical supplies			1,024	399			7,270								119,349
Non-Curricular expenses	624		267				1,372	2,710			73		457	346	6,381
Office supplies	6,059		3,614	1,869			1,132	940			1,377		253	589	5,182
Other instructional materials			343				2,284	2,732		337		539	1,153	1,120	19,707
Other instructional services			2,151	922			313	3,828				273	376	1,291	6,424
Outside agencies	540						1,369	1,700				934	1,645	3,460	12,181
Permits	30		25	40			40	175				202,829			203,544
Postage	929		670	147			892	597					70	100	345
Professional development	16,633		598	637	818		1,416	2,061				795	69	3,421	27,966
Rental of equipment	7,220		3,911	1,551			5,734	4,263				3,307	2,298	3,598	31,882
Rental of property	15,277			94,309			217,102	265,142				114,264	99,360	207,268	1,012,722
Technology equipment and software	18,106		300				487	760		31,872		4,440	1,569	(2,634)	54,890
Total employee benefits	59,316		132,566	100,100	143,524		242,135	223,839		2,759		52,866	47,336	115,987	1,120,428
Total payroll expenses	91,621		26,843	24,143	18,002		67,177	59,061		422		31,801	6,591	20,663	346,324
Transportation			270				13,783								14,053
Travel expense	1,158		161	52				189						19	1,609
Utilities	24,796												30	19	50,017
Wages & salaries	531,871		1,150,935	844,551	1,186,529		2,050,618	1,767,077		20,682	98,892	593,705	330,812	1,161,771	9,717,443
Total Expenditures	1,035,014		1,333,396	1,075,406	1,337,279	300	2,623,452	2,362,814		256,501	98,892	1,014,395	493,138	1,560,072	13,218,059
Revenue Over/ (Under) Exp	(788,920)		155,396	38,972	(20,740)	7,260	300,760	623,652		(83,297)	66,308	(36,441)	173,975	(821,359)	(184,434)
Fund Balance, beginning of yr- RESTATED	1,541,300	3,489	3,255	223,681	(335,848)	8,414	(29,099)	438,245			133,434	13,961	(69,100)	(45,214)	1,888,408
Fund Balance, end of yr	752,380	3,489	158,651	262,603	(336,588)	15,674	271,663	1,061,897		(83,297)	199,742	(22,480)	104,815	(664,573)	1,703,974

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

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

SCHEDULE OF MOST HIGHLY COMPENSATED EMPLOYEES

FOR THE YEAR ENDED JUNE 30, 2015

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 7).

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

Name & Title	Primary Duties	Compensation
M. Baker	Executive Director	\$121,995
Dr. P. Rosen	Director Clinical Services	\$117,631
J. Pitsillides	Program Director	\$104,779
N. Trahan	Director of Curriculum & Technology	\$104,040
B. Tefft	Director of Finance & Operations	\$102,321

The amounts expended on administration and overhead \$1,036,014.

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.)

**CENTRAL MASSACHUSETTS SPECIAL
EDUCATION COLLABORATIVE**

SCHEDULE OF TREASURER'S CASH

JUNE 30, 2015

COMPOSITION OF CASH AT YEAR END:

Interest Bearing Accounts:

Cash is comprised of:

Hometown Bank (4 accounts)	\$ 943,711
Bancorp Bank	2,297
Webster First Federal Credit Union (5 bank accounts)	<u>2,751,227</u>
TOTAL CASH	<u>\$3,697,235</u>

Presentation of cash in accompanying statements:

Government Funds	\$2,753,524
Health-Insurance Trust Fund	<u>943,711</u>
TOTAL CASH	<u>\$3,697,235</u>

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION
COLLABORATIVE**

AUDITORS' REPORT PURSUANT TO GOVERNMENT

AUDITING STANDARDS

FOR THE YEAR ENDED JUNE 30, 2015



**Business Advisors
Certified Public Accountants**

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

To the Board of Directors
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 of Central Massachusetts Special Education Collaborative, as of and for the year ended June 30, 2015, which comprise the statement of financial position as of June 30, 2015, and the related notes to the financial statements, which collectively comprise Central Massachusetts Special Education Collaborative's basic financial statements, and have issued our report thereon dated October 29, 2015.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of Central Massachusetts Special Education Collaborative 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 Central Massachusetts Special Education Collaborative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Parento, Ratcliffe, Renzi & Co. LLC

Franklin, Massachusetts
October 29, 2015