

**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, 2016**

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

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JUNE 30, 2016

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**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, 2016, 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, 2016, 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 from material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Central Massachusetts Special Education Collaborative as of June 30, 2016, 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 on pages 3– 5 and the budgetary comparison information on page 27 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 30-33 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 28, 2016, 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.

*Pavento, Rutledge, Ruzi & Co., LLC*

Franklin, Massachusetts  
October 28, 2016

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2016

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, 2016 and summarized comparative information for 2015. 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, 2016

### 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 2016 with comparative information from fiscal year 2015. Liabilities exceeded assets by \$1.23 million at the close of 2016, primarily due to the actuarially determined liability for postemployment benefits (OPEB) which totaled \$3.97 million as of June 30, 2016.

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, which opened in fiscal year 2016.

	June 30, 2016	June 30, 2015
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$ 4,147,360	\$ 3,063,157
Capital assets	<u>175,747</u>	<u>132,013</u>
<b>Total assets</b>	<b><u>\$ 4,323,107</u></b>	<b><u>\$ 3,195,170</u></b>
Current liabilities, i.e. warrants payable and accrued expenses	\$ 1,489,452	\$ 1,359,183
Non-current liabilities	<u>3,966,231</u>	<u>3,210,130</u>
<b>Total liabilities</b>	<b><u>\$ 5,455,683</u></b>	<b><u>\$ 4,569,313</u></b>
<b>Net position:</b>		
Invested in capital assets	\$ 175,747	\$ 132,013
Unrestricted	<u>(1,308,323)</u>	<u>(1,506,156)</u>
<b>Total net position</b>	<b><u>\$(1,132,576)</u></b>	<b><u>\$(1,374,143)</u></b>

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2016

As indicated in the following summarized *Statement of Activities*, net assets increased by \$143,225 during fiscal year 2016. Revenue from charges for student services increased by 14.0% due to a combination of increases in tuition and enrollments. Expenses for student services increased by 9.2%.

	Year ended June 30, 2016	Year ended June 30, 2015	% Change
<b>Revenues:</b>			
Charges for student services	\$14,366,969	\$12,605,367	+14.0%
Grants & contributions	669,492	181,164	
Administrative revenue	-	2,200	
Intergovernmental	2,002,163	1,325,684	
Other	5,973	13,937	
Interest income	<u>3,841</u>	<u>3,592</u>	
Total revenues	<u>17,048,438</u>	<u>14,131,944</u>	
<b>Expenses:</b>			
Student services	13,855,605	12,712,314	+9.2%
General and administrative	928,591	846,972	
Depreciation	20,512	-	
Intergovernmental	<u>2,002,163</u>	<u>1,325,684</u>	
Total expenses	<u>16,806,871</u>	<u>14,884,970</u>	
Change in net position	241,567	(753,026)	
Net position – beginning	<u>(1,374,143)</u>	<u>(621,117)</u>	
Net position - ending	<u>\$(1,132,576)</u>	<u>\$(1,374,143)</u>	

### GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2016 was developed without the use of cumulative surplus funds. In 2016, actual revenues were higher than budgeted amounts by approximately \$557k, primarily due to funding of \$516k from a Department of Public Health Grant and FICA refunds from prior year excess payments totaling \$45k. Operating expenditures were lower than budgeted amounts by approximately \$299k.

### 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, 2016

	<b>Governmental Activities</b>
<b>CURRENT ASSETS:</b>	
Cash	\$ 2,876,019
Accounts receivable (including Allowance for Doubtful accounts of \$110,369)	1,129,811
Unbilled receivables	98,342
Due from Health Insurance Trust	40,270
Prepaid expenses	<u>2,918</u>
Total current assets	4,147,360
 <b>PROPERTY, PLANT AND EQUIPMENT:</b>	
Capital assets	196,259
Accumulated depreciation	<u>(20,512)</u>
Net property, plant and equipment	175,747
Total assets	<u>\$ 4,323,107</u>
 <b>CURRENT LIABILITIES:</b>	
Warrants payable and accrued expenses	1,477,452
Deferred revenue	<u>12,000</u>
Total current liabilities	1,489,452
 <b>NON-CURRENT LIABILITIES:</b>	
Net OPEB Liability	<u>3,966,231</u>
Total liabilities	5,455,683
 <b>NET POSITION:</b>	
Invested in capital assets	175,747
Unrestricted	<u>(1,308,323)</u>
Total net position	<u>(1,132,576)</u>
Total liabilities and net position	<u>\$ 4,323,107</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, 2016

FUNCTIONS/PROGRAMS	Charges for Expenses	Program Revenues Charges for Services	Grants & Contributions	Total
<b>Governmental Activities:</b>				
Student services	\$ 13,855,605	\$ 14,366,969	\$ 669,492	\$ 1,180,856
General and administrative	928,591	-	-	(928,591)
Depreciation	20,512	-	-	(20,512)
Intergovernmental revenue/expense	<u>2,002,163</u>	<u>2,002,163</u>	<u>-</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u><u>\$ 16,806,871</u></u>	<u><u>\$ 16,369,132</u></u>	<u><u>\$ 669,492</u></u>	231,753
 <b>General revenue:</b>				
Interest				3,841
Miscellaneous				<u>5,973</u>
<b>Total General Revenue</b>				<u>9,814</u>
 Change in Net Position				 241,567
 NET POSITION, BEGINNING OF YEAR				 <u>(1,374,143)</u>
 NET POSITION, END OF YEAR				 <u><u>\$ (1,132,576)</u></u>

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

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION  
COLLABORATIVE**

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2016

ASSETS:

Cash	\$2,876,019
Accounts receivable (including Allowance for Doubtful accounts of \$110,369)	1,129,811
Unbilled receivables	98,342
Due from Health Insurance Trust	40,270
Prepaid expenses	<u>2,918</u>
Total assets	<u>\$4,147,360</u>

LIABILITIES:

Accounts payable and accrued expenses	\$1,477,452
Deferred revenue	<u>12,000</u>
Total liabilities	<u>1,489,452</u>

FUND BALANCES:

Nonspendable	2,918
Committed	328,884
Cumulative surplus (Unassigned)	<u>2,326,106</u>
Total fund balances	<u>2,657,908</u>

Total liabilities and fund balances	<u>\$4,147,360</u>
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*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, 2016

	General Fund	Government Contracts	Total
<b>REVENUES:</b>			
Student services	\$14,405,590	\$630,872	\$15,036,462
Intergovernmental revenue	2,002,163	-	2,002,163
Interest	3,841	-	3,841
Other revenue	5,972	-	5,972
Total revenues	\$16,417,566	\$630,872	\$17,048,438
<b>EXPENDITURES:</b>			
Administration	866,720	-	866,720
Capital outlay	-	64,246	64,246
Special Revenue - Government Contracts	-	14,556	14,556
Central MA Academy	1,338,496	-	1,338,496
Central MA Prep	1,138,869	-	1,138,869
Clinical Services	1,206,441	-	1,206,441
Goddard Academy	2,372,306	-	2,372,306
Hartwell Learning Center	2,560,385	-	2,560,385
Recovery High School	443,499	538,605	982,104
Summer Program	183,774	-	183,774
THRIVE	1,217,371	-	1,217,371
Woodward Day School	2,116,549	-	2,116,549
Development expenses	30,524	-	30,524
Intergovernmental expense	2,002,163	-	2,002,163
Total expenditures	\$15,477,097	\$617,407	\$16,094,504
Revenue over (under) expenditures	940,469	13,465	953,934
FUND BALANCES, BEGINNING OF YEAR	1,780,011	(76,037)	1,703,974
FUND BALANCES, END OF YEAR	\$ 2,720,480	\$(62,572)	\$ 2,657,908

*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, 2016

Total fund balance, governmental funds	\$ 2,657,908
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.	175,747
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.	<u>(3,966,231)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$(1,132,576)</u></u>

*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, 2016

Net changes in balances -governmental funds	\$ 953,934
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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.

43,734

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	<u>(756,101)</u>
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Changes in net position of governmental activities	<u>\$ 241,567</u>
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*The accompanying notes are an integral part of these financial statements.*

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION  
COLLABORATIVE**

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	<u>Retirees' Health Insurance Trust Fund</u>
ASSETS	
Cash and investments	\$949,124
Total assets	949,124
LIABILITIES	
Due to Central Massachusetts Special Education Collaborative	<u>40,270</u>
NET POSITION	<u>\$908,854</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, 2016

	<b>Retirees' Health Insurance Trust Fund</b>
<b>ADDITIONS:</b>	
Central Massachusetts Special Education Collaborative contributions	\$ -
Interest income	<u>5,413</u>
Total additions	<u>5,413</u>
<b>DEDUCTIONS:</b>	
Administrative expenses	-
Benefits to retirees and beneficiaries	<u>22,652</u>
Total deductions	<u>22,652</u>
Decrease in net position	(17,239)
NET POSITION, BEGINNING OF YEAR	<u>926,093</u>
NET POSITION, END OF YEAR	<u>\$908,854</u>

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

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### (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 \$12,832,638 for fiscal year 2016 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 2016.



# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### (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, 2016

### (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*

Trade accounts receivable consist of amounts due from municipalities for program services, less an allowance for doubtful accounts. An allowance for doubtful accounts in the amount of \$110,369 was recorded as of June 30, 2016 based on management's assessment of the current status of individual receivables. It is the Collaborative's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(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 as 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) Reclassifications*

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. FICA tax refunds were reclassified to reduce payroll tax expense.

*(i) 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, 2016.

**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, 2016

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *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- 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.

(j) *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, 2016

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) *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) CONCENTRATIONS

(a) *Cash and Cash Equivalents*

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.

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, 2016	
	Carrying Amount	Bank Balance
Governmental Activities	\$2,876,019	\$3,222,855
Fiduciary – Type Activities	\$949,124	\$949,176

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, 2016.

(b) *Employees*

A collective bargaining agreement was negotiated with the Instructional Assistants during fiscal year 2016. The Collaborative's contract with the union was retroactive to July 1, 2015 and will be in place until June 30, 2018. 34.6% of the workforce is covered under collective bargaining agreements.

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(4) CAPITAL ASSETS

Capital assets consist of furniture and equipment purchased for the Recovery High School program during fiscal years 2016 and 2015 with funds from the Commonwealth of Massachusetts Department of Public Health. The High School Program opened in September of 2015 and the assets were subject to depreciation beginning in fiscal year 2016. Property and equipment are recorded at cost, if purchased or at fair market value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

	Beginning Balance	Increases	Decreases	Ending Balance
Furniture & equipment	\$132,013	\$64,246	\$ -	\$196,259
Less: accumulated depreciation	<u>          -</u>	<u>  20,512</u>	<u>          -</u>	<u>  20,512</u>
Capital assets, net	<u>\$132,013</u>	<u>\$43,734</u>	<u>\$ -</u>	<u>\$175,747</u>

Depreciation expense totaled \$20,512 and was not allocated to governmental functions. It appears unallocated on the statement of activities.

(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, 2016 is equal to the Unassigned General Fund Balance of \$2,657,908. The Collaborative Agreement stipulates that the Board will retain no more than 25 percent of the previous year's (i.e. year under audit's) general fund expenditures, which is equal to \$3,368,734, 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, 2016 and totaled \$127,487 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

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(6) RETIREMENT BENEFIT PLAN (Continued)

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 \$116,993. 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 6/30/15	\$4,360,172
Proportionate share of plan pension expense	\$492,214
Net amortization of deferred amounts from change in proportion	\$(4,157)
Total employer pension expense	\$488,057

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 \$1,885,170. 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 6/30/15	\$23,242,456
Commonwealth pension support provided	\$1,159,228
Total employer pension expense and revenue for Commonwealth support	\$1,885,170

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.

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(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
Worcester – 15 Harlow Street	School Building	\$5,000
West Boylston – 100 Hartwell St.	School Building	\$821,992
Worcester – 11 McKeon Rd.	School Building & Offices	\$150,305
Worcester -190 Freemont St.	School Building	\$33,688

Rent expense, which is allocated to the respective programs, totaled \$1,479,501 for the fiscal year ended June 30, 2016.

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 and the annual rent paid for this property in fiscal year 2016 was \$468,516. The lease contains an escalation clause for an 8% increase in the 6<sup>th</sup> year. The lease provides for two five-year renewal options. Future minimum lease payments for the Rockdale Street building are as follows:

June 30, 2017	\$ 475,000
June 30, 2018	475,000
June 30, 2019	475,000
June 30, 2020	475,000
June 30, 2021	513,000
Thereafter	<u>2,052,000</u>
	<u>\$4,465,000</u>

In addition, the Collaborative leases copy equipment. Future minimum lease payments, by year and in the aggregate, under non-cancelable operating equipment leases with initial or remaining terms of one year or more consisted of the following at June 30, 2016:

Fiscal year end	Amount
June 30, 2017	\$25,177
June 30, 2018	10,730
June 30, 2019	934
Total Minimum Lease Payments	<u>\$36,841</u>

Rent expense for operating leases for fiscal 2016 totaled \$31,460.



# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(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

The Collaborative has several three-year employment contracts with various employees. These contracts expire on or before June 30, 2018 and do not include clauses requiring severance pay.

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.

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 \$22,652 in fiscal year 2016 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 \$5,413 in interest.

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.

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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, 2016:

**Annual OPEB Costs**

Normal cost	\$ 619,192
Amortization of unfunded actuarial accrued liability	<u>96,399</u>
Annual required contribution	715,591
Interest on OPEB obligation	123,825
Adjustment to annual required contribution	<u>(78,660)</u>
Annual OPEB cost (expenses)	760,756
Net OPEB contributions made during the fiscal year	<u>(9,655)</u>
Increase in net OPEB obligation	751,101
Net OPEB obligation, beginning of year as restated (Note 11)	<u>3,215,130</u>
Net OPEB obligation, end of year	<u><u>\$3,966,231</u></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, 2016 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/16	\$760,756	2.98%	\$3,966,231

**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 FINANCIAL STATEMENTS

JUNE 30, 2016

(10) OTHER POST-EMPLOYMENT BENEFITS PAYABLE (OPEB) (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 and to estimate rollforward numbers for June 30, 2015 and 2016. 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 and 2016. 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) SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through October 28, 2016, which is the date the financial statements were available to be issued.

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION  
COLLABORATIVE**

REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016

**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, 2016

	Original/Final Budget	Actual Budgetary Amounts	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Programs and Assessments	\$14,391,392	\$15,024,365	\$ 632,973
Interest		3,841	3,841
Other revenue		18,069	18,069
<b>Total revenues</b>	<b>14,391,392</b>	<b>15,046,275</b>	<b>654,883</b>
<b>EXPENDITURES:</b>			
<b>Operational:</b>			
Insurance – Workers’ Comp and Liability	134,158	142,485	(8,327)
Administrative expenses	79,200	85,972	(6,772)
Instructional expenses	218,685	402,395	(183,710)
Non-instructional expenses	298,376	230,759	67,617
Occupancy	1,676,194	1,633,008	43,186
Transportation	15,590	30,357	(14,767)
<b>Total operational expenditures</b>	<b>2,422,203</b>	<b>2,524,976</b>	<b>(102,773)</b>
<b>Personnel:</b>			
Wages and salaries	10,261,959	10,134,055	127,904
Employee benefits	1,707,230	1,433,310	273,920
<b>Total salaries and benefits</b>	<b>11,969,189</b>	<b>11,567,365</b>	<b>401,824</b>
<b>Total expenditures</b>	<b>14,391,392</b>	<b>14,092,341</b>	<b>299,051</b>
<b>Revenue over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 953,934</b>	<b>\$ 953,934</b>
Encumbrances for goods and services ordered but not received are reported as COMMITTED fund balance in the year the Board approves the order but are reported as expenditures in the year the goods and services are received for GAAP purposes			
	\$ -	\$ (328,884)	
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>1,190,225</b>	<b>1,703,974</b>	
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 1,190,225</b>	<b>\$ 2,329,024</b>	

*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, 2016

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)
7/1/2015	\$908,854	\$5,307,881	\$4,399,027	17%		
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, 2016

CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BY PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2016

	Admin	Development	Central MA Academy	Central MA Prep	Clinical Services	Gov't Contracts	Coddard Academy	Hartwell Learning	Recovery High School	Summer Program	THRIVE Program	Woodward Day School	TOTAL
Clinical services		\$ -	\$ -	\$ -	\$ 97,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,961
Funding income		12,096	-	-	-	-	-	-	-	-	-	-	12,096
Government contract income		-	-	-	-	29,995	-	-	614,077	-	-	-	644,072
Miscellaneous income	3,727	13,325	-	-	581	-	-	-	-	-	1,664	-	19,297
Interest	3,841	-	-	-	-	-	-	-	-	-	-	-	3,841
Member program income		-	1,918,885	1,275,857	-	-	2,934,767	2,461,380	74,832	59,723	1,222,049	2,892,145	12,832,638
Non-member student tuition		-	29,509	201,432	-	-	297,000	366,766	167,437	80,339	264,061	29,826	1,436,370
<b>Total Revenues</b>	7,568	25,421	1,948,394	1,477,289	98,542	29,995	3,231,767	2,828,146	856,346	133,062	1,487,774	2,921,971	15,046,275
Accounting & legal	73,499	-	-	-	-	-	-	-	-	-	-	-	73,499
Advertising	2,901	-	-	-	-	-	-	-	141	-	-	-	3,042
Building maintenance	7,879	-	100	3,834	-	-	27,815	27,891	17,299	-	2,571	18,241	105,630
Capital outlay	-	-	-	-	-	-	-	-	64,246	-	-	-	64,246
Classroom equipment	-	-	5,032	833	-	-	642	2,771	2,791	-	-	335	12,404
Consultants & training	11,627	-	-	-	1,190	-	-	-	7,278	-	-	-	20,095
Contractual services	4,895	-	-	-	-	-	-	-	1,120	-	-	-	6,015
Dues & subscriptions	8,300	-	-	-	-	-	-	40	-	-	-	-	8,340
Equipment maintenance	1,568	-	-	109	-	-	118	-	-	-	-	-	1,805
Fundraiser events	7,805	-	-	-	-	-	(53)	(140)	-	-	-	10	7,612
General school supplies	-	-	2,696	895	-	-	3,463	5,869	557	-	4,949	3,257	21,686
Grant expenses	-	10,193	-	-	-	24,263	-	119,674	-	-	-	-	154,130
Instructional materials & equip	6,703	-	312	322	5,410	-	6,883	3,158	5,222	-	500	5,111	33,621
Insurance	142,485	-	-	-	-	-	-	-	-	-	-	-	142,485
Medical supplies	-	-	983	551	-	-	1,618	2,423	2,746	-	338	884	9,543
Non-Curricular expenses	848	-	349	44	-	-	1,013	1,021	1,614	-	444	449	5,782
Office expense	6,555	44	1,474	1,488	29	-	4,869	2,023	2,506	-	1,393	5,793	26,174
Other instructional materials	-	-	-	446	-	-	53	2,225	813	-	1,996	992	6,525
Other instructional services	-	-	1,501	2,145	-	-	2,612	5,451	3,098	-	281	7,490	22,578
Outside agencies	-	-	-	-	-	-	-	-	3,963	-	11,900	-	15,863
Permits	30	-	25	90	-	-	90	90	264	-	-	326	915
Postage	1,068	-	980	147	-	-	411	582	227	-	147	123	3,685
Professional development	1,968	-	3,141	2,590	160	-	3,924	4,839	-	-	612	4,113	21,347
Rental of equipment	6,705	-	2,807	2,658	-	-	4,415	3,374	3,658	-	3,307	4,536	31,460
Rental of property	69,188	-	5,000	97,310	-	-	230,962	273,429	345,891	-	117,847	353,499	1,403,126
Technology equip. & software	101,798	-	-	-	-	-	-	-	247	-	36,288	5,774	144,107
Total employee benefits	36,113	-	133,216	86,423	123,087	-	209,392	250,390	40,898	-	118,900	173,115	1,171,534
Total payroll expenses	(22,134)	-	29,515	27,803	18,372	-	55,999	63,774	8,164	-	48,834	31,447	261,774
Transportation	-	-	-	-	-	-	13,356	-	17,058	-	-	(57)	30,357
Travel expense	1,376	-	-	-	-	-	-	355	1,034	-	-	15	2,780
Utilities	15,353	-	-	-	6,352	-	-	-	21,715	-	-	-	56,126
Wages & salaries	387,995	-	1,151,365	911,181	1,051,841	-	1,804,724	1,910,820	374,126	183,774	867,064	1,488,390	10,134,055
<b>Total Expenditures</b>	866,720	18,042	1,338,496	1,138,869	1,206,441	2,775	2,372,306	2,560,385	1,046,350	183,774	1,217,371	2,116,549	14,092,341
Revenue Over/ (Under) Exp	(859,152)	7,379	609,898	338,420	(1,107,899)	2,957	859,461	267,761	(190,004)	(50,712)	270,403	805,422	953,934
Fund Balance, beginning of yr	752,380	3,489	158,651	262,603	(356,588)	15,674	271,661	1,061,897	(83,297)	199,742	(22,480)	(559,758)	1,703,974
Fund Balance, end of yr	\$ (106,772)	\$ 10,868	\$ 768,549	\$ 601,023	\$ (1,464,487)	\$ 18,631	\$ 1,131,122	\$ 1,329,658	\$ (273,301)	\$ 149,030	\$ 245,923	\$ 245,664	\$ 2,657,908



# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

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

FOR THE YEAR ENDED JUNE 30, 2016

**Transactions between the education collaborative and any related for-profit or non-profit organization:**

None

**Transactions or contracts related to the purchase, sales, rental or lease of real property:**

See Note 7

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

Name & Title	Primary Duties	Compensation
Beverly Tefft, Director of Finance & Operations	Responsible for planning, organizing and directing the business and financial operations of the Collaborative.	\$106,080
Jessica Pitsillides, Program Director	Responsible for exercising vision and providing leadership that appropriately involves staff, parents, students and community partners to identify and accomplish the program's mission and goals.	\$105,753
Daniel Smachetti, Assistant Program Director	Assists program director with the efficient operation of all aspects of the school facility consistent with sound educational principles and philosophy of education which strongly emphasizes student learning and success.	\$102,546
Ann O'Leary-Ortiz, Program Director	Responsible for exercising vision and providing leadership that appropriately involves staff, parents, students and community partners to identify and accomplish the program's mission and goals.	\$102,327
Michael Tempesta, Executive Director	Responsible for the overall supervision and administration of the Collaborative. Provides leadership in the development and operations of educational programs, budget development, resource allocation and all services offered to member districts. Implements all policies and procedures approved by the Board of Directors.	\$100,601

**The amounts expended on administration and overhead:**

Administration and overhead      \$866,720.

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

None

**The amounts expended on services age 22 and older:**

None

# CENTRAL MASSACHUSETTS SPECIAL EDUCATION COLLABORATIVE

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

ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS  
FOR THE YEAR ENDED JUNE 30, 2016

Cumulative Surplus Calculation FY16	Page(s) in financial statements
(A) Voted Cumulative Surplus as of 6/30/15	1,703,974 (A)
(B) 1 Amount of (A) used to support the FY16 Budget	(B)1 -
2 Amount of (A) returned to member districts	(B)2 -
	(B)1 + (B)2 = (B) - (B)
(C) Unexpended FY16 General Funds	953,934 (C) <u>p. 9</u>
(D) Cumulative Surplus as of 6/30/16	(A) - (B) + (C) = (D) 2,657,908 (D)
(E) FY16 Total General Fund Expenditures	13,474,934 (E) <u>p. 9</u>
(F) Cumulative Surplus Percentage	(D) ÷ (E) 19.72% (F) <u>p. 6</u>

**CENTRAL MASSACHUSETTS SPECIAL  
EDUCATION COLLABORATIVE**

SCHEDULE OF TREASURER'S CASH

JUNE 30, 2016

COMPOSITION OF CASH AT YEAR END:

Interest Bearing Accounts:

Cash is comprised of:

Hometown Bank (4 accounts)	\$ 949,124
Bancorp Bank	2,122
Webster First Federal Credit Union (5 bank accounts)	<u>2,873,897</u>
<b>TOTAL CASH</b>	<b><u>\$3,825,143</u></b>

Presentation of cash in accompanying statements:

Government Funds	\$2,876,019
Health-Insurance Trust Fund	<u>949,124</u>
<b>TOTAL CASH</b>	<b><u>\$3,825,143</u></b>

**CENTRAL MASSACHUSETTS SPECIAL EDUCATION  
COLLABORATIVE**

AUDITORS' REPORT PURSUANT TO GOVERNMENT

AUDITING STANDARDS

FOR THE YEAR ENDED JUNE 30, 2016



**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, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

**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's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 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.

*Pavento, Ratcliffe, Renzi & Co., LLC*  
Franklin, Massachusetts  
October 28, 2016