

**CAPS EDUCATION COLLABORATIVE**

**Financial Statements, Required  
Supplementary And Other Information  
For The Year Ended June 30, 2014  
And  
Independent Auditors' Reports**

**CAPS EDUCATION COLLABORATIVE**

**Financial Statements, Required  
Supplementary And Other Information  
For The Year Ended June 30, 2014  
And  
Independent Auditors' Reports**

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# McCarthy, Hargrave & Co.

Certified Public Accountants

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**To The Board of Directors Of The  
CAPS Education Collaborative  
Westminster, Massachusetts**

## **Independent Auditors' Report**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of CAPS Education Collaborative as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

### **Management's Responsibility**

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 effort.

### **Auditor's Responsibility**

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

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

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

## Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Governmental Fund – General	Unmodified
Aggregate Remaining Fund Information	Unmodified

### **Basis for Adverse Opinion on Governmental Activities**

As described in Note B to the financial statements, management has not recorded a liability for postemployment benefits in the governmental activities, in accordance with GASB Statement No. 45, and accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that postemployment benefits attributable to employee service already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities and change the expenses of the governmental activities. The amounts by which this departure would affect the liabilities, net position, and expenses of the governmental activities are not reasonably determinable.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of CAPS Education Collaborative as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the fund financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the CAPS Education Collaborative, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4 through 10 and pages 29 and 30 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 CAPS Education Collaborative's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2014, on our consideration of CAPS 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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CAPS Education Collaborative's compliance.

December 11, 2014

*McCarthy, Hargrave & Co.*

# **CAPS EDUCATION COLLABORATIVE**

## **Management's Discussion and Analysis**

### **For The Year Ended June 30, 2014**

As the management of CAPS Education Collaborative, we offer readers of the Collaborative's financial statements this narrative overview and analysis of the financial activities of the Collaborative for the fiscal year ended June 30, 2014.

#### **Financial Highlights**

- The assets of CAPS Education Collaborative exceeded its liabilities at the close of fiscal 2014 by \$ 1,982,946.
- The Collaborative's net position increased by \$ 618,685 due to the revenues exceeding expenses.
- At the close of fiscal 2014, the Collaborative's governmental funds reported combined ending fund balances of \$ 1,984,631, an increase of \$ 652,677.
- At June 30, 2014, the unassigned fund balance for the general fund was \$ 1,890,676 or 31.8 percent of total general fund expenditures.
- The Collaborative's capital lease obligations increased by \$ 15,215 during the current fiscal year. This was due to the addition of a new capital lease offset by principal payments made during the fiscal year.

#### **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Collaborative's basic financial statements. CAPS Education Collaborative's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Financial Statements**

The government-wide financial statements report information about the Collaborative with a broad overview of its finances using accounting methods similar to those used by a private-sector business.

The statement of net position presents information about all the Collaborative's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Collaborative is improving or deteriorating.

The statement of activities presents information showing how the Collaborative's net position changed during fiscal 2014. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, 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 (e.g., uncollected revenues).

The Collaborative is engaged in only governmental type activities. The government-wide financial statements can be found on pages 11 and 12 of this report.

# CAPS EDUCATION COLLABORATIVE

## Management's Discussion and Analysis

For The Year Ended June 30, 2014

(Continued)

### Overview of Financial Statements

(Continued)

#### Fund Financial Statements

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

**Governmental Funds** – Similar to the governmental activities in the government-wide financial statements, most of the Collaborative's basic services are presented here. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of available resources. They also focus on the balances of available resources at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is short-term and government-wide funds are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Collaborative maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered a major fund. Data from the 9 other governmental funds are combined into a single aggregated presentation.

The Collaborative adopts an annual budget for its general fund.

The governmental fund financial statements can be found on pages 13 through 16 of this report.

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

The notes to the basic financial statements can be found on pages 17 through 27 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, which includes the General Fund's Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budgetary Basis.

Required supplementary information can be found on pages 29 and 30 of this report.

In addition, other information required by Massachusetts Session Law, Chapter 43 of the Acts 2012 can be found on pages 32 and 33 of this report.

# CAPS EDUCATION COLLABORATIVE

## Management's Discussion and Analysis

For The Year Ended June 30, 2014

(Continued)

### Overview of Financial Statements

(Continued)

#### Government-Wide Financial Analysis

Fiscal 2014 is the first year the Collaborative is presenting its financial statements under Accounting Standards Established by the Governmental Accounting Standards Board. Accordingly, comparative information in Management's Discussion and Analysis will be presented in future years.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Collaborative's case, assets exceeded liabilities by \$ 1,982,946 the close of the most recent fiscal year.

A portion of the Collaborative's net position reflects its investment in capital assets (e.g., leasehold improvements and vehicles, less any related debt to acquire those assets that is still outstanding). The Collaborative uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Collaborative's net position in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>Net Position</b>	
	<u><b>2014</b></u>
Current and Other Assets	\$ 2,224,793
Capital Assets, Net of Depreciation	<u>105,872</u>
Total Assets	<u>2,330,665</u>
Long-Term Liabilities	107,557
Other Liabilities	<u>240,162</u>
Total Liabilities	<u>347,719</u>
Net Position (Deficit):	
Invested in Capital Assets, Net of Related Debt	(1,685)
Restricted	11,826
Unrestricted	<u>1,972,805</u>
	<u>\$ 1,982,946</u>

An additional portion (\$ 11,826) of the Collaborative's net position represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position shows a balance of \$ 1,972,805.

At the end of fiscal 2014, the Collaborative is able to report a positive balance in two categories of net position.

The Collaborative's total net position increased by \$ 618,685 during fiscal 2014. This was due to revenues exceeding expenses.



**CAPS EDUCATION COLLABORATIVE**

**Management's Discussion and Analysis**

**For The Year Ended June 30, 2014**

**(Continued)**

**Government-Wide Financial Analysis**

**(Continued)**

**Change in Net Position**

**Revenues:**

Program Revenues:	
Charges for Services	\$ 5,912,172
Operating Grants and Contributions	503,885
General Revenues:	
Members' Assessments	103,808
Investment Income	36,329
Other	6,573
	<hr/>
	6,562,767
	<hr/>

**Program Expenses:**

Administration and Office Expenses	381,826
Instruction	2,939,967
Other Student Services	1,002,520
Facilities	263,918
Transportation	158,344
Employee Benefits	1,190,333
Interest Expense	7,174
	<hr/>
	5,944,082
	<hr/>

**Change in Net Position** 618,685

**Net Position Beginning of Year** 

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1,364,261

**Net Position End of Year** 

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\$ 1,982,946

**CAPS EDUCATION COLLABORATIVE**

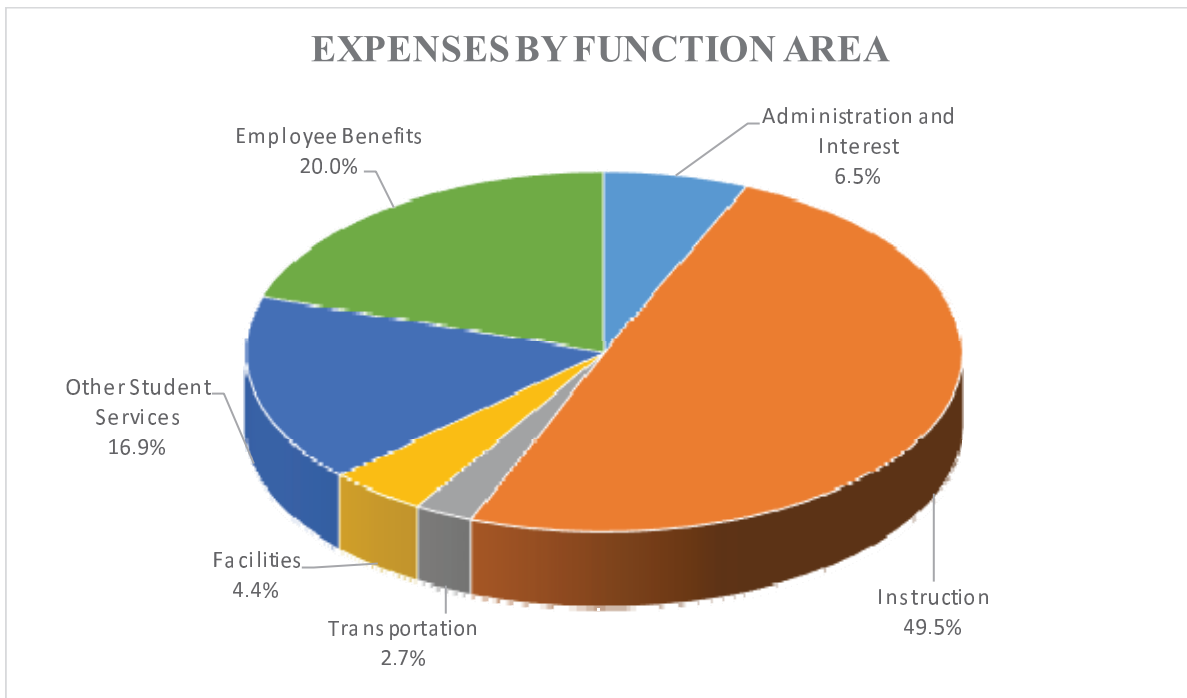
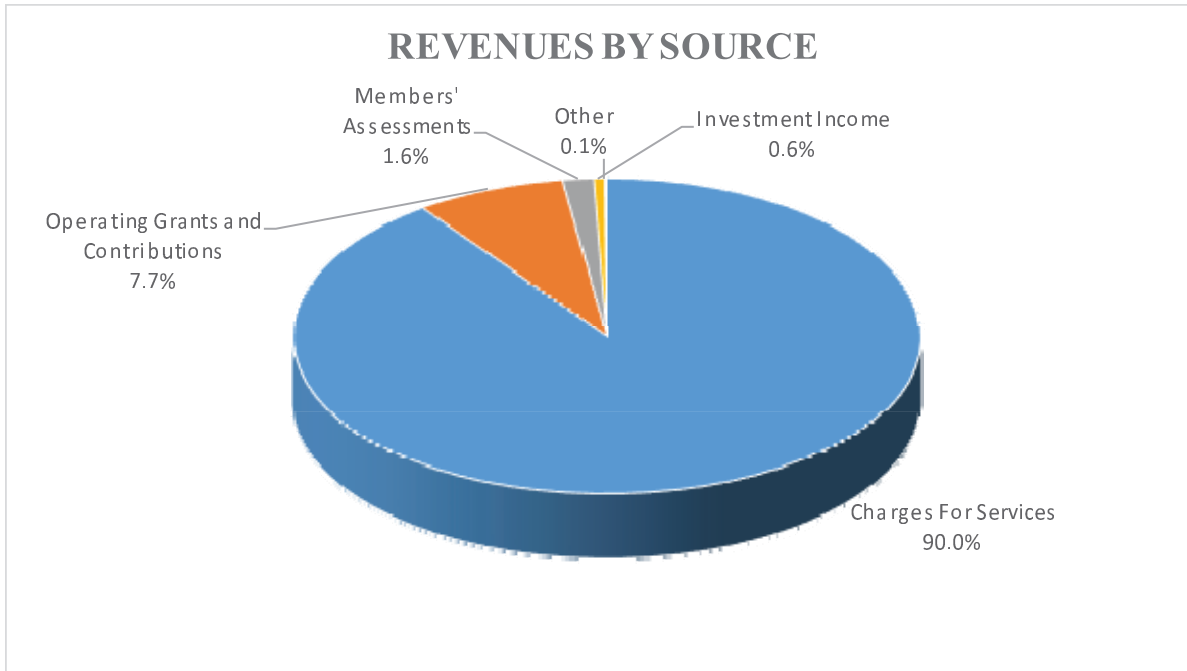
**Management's Discussion and Analysis**

**For The Year Ended June 30, 2014**

**(Continued)**

**Government-Wide Financial Analysis**

**(Continued)**



# **CAPS EDUCATION COLLABORATIVE**

## **Management's Discussion and Analysis**

**For The Year Ended June 30, 2014**

**(Continued)**

### **Financial Analysis of the Collaborative's Funds**

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

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

At the end of fiscal 2014, the Collaborative's governmental funds reported combined ending fund balances of \$ 1,984,631, an increase of \$ 652,677. Approximately 95 percent of this total amount (\$ 1,890,676) is available for spending at the Collaborative's discretion (unassigned fund balance). The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending.

The general fund is the chief operating fund of the Collaborative. At the end of fiscal 2014, the unassigned fund balance of the general fund was \$ 1,890,676 while total fund balance was \$ 1,972,805. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned portion of the fund balance represents approximately 32 percent of total general fund expenditures, while total fund balance equals approximately 33 percent of that same amount.

The fund balance of the Collaborative's general fund increased \$ 651,308 during fiscal 2014.

### **Budgetary Highlights**

The Collaborative's final general fund budget did not change in total from the original budget.

Revenues were \$ 266,266 more than budgeted primarily due to instruction and speech reimbursements. Expenditures were \$ 248,832 less than budgeted, partially due to lower than anticipated expenditures for services to students and fixed charges.

### **Capital Assets and Debt Administration**

**Capital Assets** – The Collaborative's investment in capital assets for its governmental type activities as of June 30, 2014 amounted to \$ 105,872 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, and vehicles. The total decrease in the Collaborative's investment in capital assets for the current year was 15.1 percent due to the depreciation and the loss or abandonment of certain leasehold improvements exceeding additions.

For fiscal 2014, the major activity consisted of the addition of a vehicle, through a capital lease, of \$ 40,978 and the abandonment of certain leasehold improvements at a net loss of \$ 28,279.

# CAPS EDUCATION COLLABORATIVE

## Management's Discussion and Analysis

For The Year Ended June 30, 2014

(Continued)

### Capital Assets And Debt Administration

Leasehold Improvements	\$ 2,649
Vehicles	103,223
	<hr/>
	\$ 105,872
	<hr/>

Additional information on the Collaborative's capital assets can be found in Note E to the basic financial statements on page 23 of this report.

**Long-Term Debt** – At the end of the current fiscal year, the Collaborative had outstanding long-term debt of \$ 107,557.

### Long-Term Debt

Capital Lease Obligations	<hr/>
	\$ 107,557

The Collaborative's total debt increased by \$ 15,215 during the current fiscal year reflecting the addition of a lease of \$ 40,978 offset by principal payments made of \$ 25,763 on the capital lease obligations.

Additional information on the Collaborative's long-term debt can be found in Note G to the basic financial statements on page 24 of this report.

### Economic Factors and Next Year's Budget

CAPS Education Collaborative is financially stable.

The fiscal 2015 budget reflects estimated revenues of \$ 5,905,509 and expenditures of \$ 5,830,000. The budget was presented to and approved by the finance subcommittee, and after the public hearing, by the full Board of Directors was based on several assumptions. First, the budget was based on the reasonable, yet conservative, assumption of 88 students with 4 being partial enrollments. Second, the budget was based on a 2 percent increase in staff salaries which was a rate comparable to member districts' increase in rates. Third, the budget represented a differential tuition increase based on analysis of program costs as well as an increase in staffing needs and rental expenses. Finally, the budget was based on the assumption of an increase in contracted services expenses.

### 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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Edward McCaul, Executive Director, CAPS Education Collaborative, 2 Narrows Road, Suite C105, Westminster, MA 01473.

# CAPS EDUCATION COLLABORATIVE

## Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 1,067,836
Accounts Receivable	777,426
Prepaid Expenses	<u>82,129</u>
<b>Total Current Assets</b>	<u>1,927,391</u>
<b>Noncurrent Assets:</b>	
Investments	297,402
Capital Assets, Net of Accumulated Depreciation	<u>105,872</u>
<b>Total Noncurrent Assets</b>	<u>403,274</u>
<b>Total Assets</b>	<u>2,330,665</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable and Accrued Expenses	176,407
Accrued Payroll and Amounts Withheld	63,755
Current Portion of Capital Lease Obligations	<u>35,895</u>
<b>Total Current Liabilities</b>	<u>276,057</u>
<b>Long-Term Liabilities:</b>	
Capital Lease Obligations, Less Current Portion	<u>71,662</u>
<b>Total Liabilities</b>	<u>347,719</u>
<b>Net Position:</b>	
Invested in Capital Assets, Net of Related Debt	(1,685)
Restricted for Gifts	11,826
Unrestricted	<u>1,972,805</u>
<b>Total Net Position</b>	<u>\$ 1,982,946</u>

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

# CAPS EDUCATION COLLABORATIVE

## Statement of Activities

For The Year Ended June 30, 2014

	Program Revenues		
Expenses	Charges For Services	Operating Grants and Contributions	Net (Expense) Revenue
<b>Functions/Programs:</b>			
Administration and Office Expense	\$ -	\$ -	(\$ 381,826)
Instruction	4,772,456	1,000	1,833,489
Other Student Services	1,005,764	2,000	5,244
Facilities			(263,918)
Transportation	133,952		(24,392)
Employee Benefits		500,885	(689,448)
Interest			(7,174)
	\$ 5,944,082	\$ 5,912,172	471,975
<b>Total Governmental Activities</b>			
<b>General Revenues:</b>			
Member Assessments			103,808
Investment Income			36,329
Miscellaneous Revenues			6,573
			146,710
<b>Total General Revenues</b>			618,685
<b>Change in Net Position</b>			1,364,261
<b>Net Position Beginning of Year</b>			\$ 1,982,946
<b>Net Position End of Year</b>			\$ 1,982,946

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

**CAPS EDUCATION COLLABORATIVE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2014**

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<hr/>	<hr/>	<hr/>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,067,836	\$ -	\$ 1,067,836
Accounts Receivable	777,426		777,426
Investments	297,402		297,402
Prepaid Expenses	82,129		82,129
Due from Other Funds		11,826	11,826
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 2,224,793</b>	<b>\$ 11,826</b>	<b>\$ 2,236,619</b>
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 176,407	\$ -	\$ 176,407
Accrued Payroll and Amounts Withheld	63,755		63,755
Due to Other Funds	11,826		11,826
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>251,988</b>	<b>\$ -</b>	<b>251,988</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
<b>Nonspendable -</b>			
Prepaid Expenses	82,129		82,129
<b>Restricted -</b>			
Gifts		11,826	11,826
<b>Unassigned</b>	1,890,676		1,890,676
	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>1,972,805</b>	<b>11,826</b>	<b>1,984,631</b>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,224,793</b>	<b>\$ 11,826</b>	<b>\$ 2,236,619</b>
	<hr/>	<hr/>	<hr/>

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

**CAPS EDUCATION COLLABORATIVE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Position**

**June 30, 2014**

<b>Total Government Fund Balances (page 13)</b>	\$ 1,984,631
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	105,872
Capital Lease Obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(107,557)</u>
<b>Net Position of Governmental Activities (page 11)</b>	<u>\$ 1,982,946</u>

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



**CAPS EDUCATION COLLABORATIVE**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Governmental Funds**

**For The Year Ended June 30, 2014**

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Special Education Tuition	\$ 4,772,456	\$ -	\$ 4,772,456
Other Student Services	1,005,764		1,005,764
Member Assessments	103,808		103,808
State On-Behalf of Pension Contribution	500,885		500,885
Transportation	133,952		133,952
Investment Income	36,329		36,329
Miscellaneous	6,573	3,000	9,573
<b>Total Revenues</b>	<b>6,559,767</b>	<b>3,000</b>	<b>6,562,767</b>
<b>Expenditures:</b>			
Administration and Office Expense	380,505		380,505
Instruction	2,938,967	1,000	2,939,967
Other Student Services	1,001,889	631	1,002,520
Facilities	231,056		231,056
Transportation	173,750		173,750
Employee Benefits	1,190,333		1,190,333
Capital Lease Payments:			
Principal	25,763		25,763
Interest	7,174		7,174
<b>Total Expenditures</b>	<b>5,949,437</b>	<b>1,631</b>	<b>5,951,068</b>
<b>Revenues Over Expenditures</b>	<b>610,330</b>	<b>1,369</b>	<b>611,699</b>
<b>Other Financing Source –</b>			
Capital Lease Obligation	40,978		40,978
<b>Revenues and Other Financing Source Over Expenditures</b>	<b>651,308</b>	<b>1,369</b>	<b>652,677</b>
<b>Fund Balances, July 1, 2013</b>	<b>1,321,497</b>	<b>10,457</b>	<b>1,331,954</b>
<b>Fund Balances, June 30, 2014</b>	<b>\$ 1,972,805</b>	<b>\$ 11,826</b>	<b>\$ 1,984,631</b>

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

**CAPS EDUCATION COLLABORATIVE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For The Year Ended June 30, 2014**

**Net Change in Fund Balances – Total Governmental Funds (page 15)** \$ 652,677

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and the loss on abandonment of capital assets exceeded capital outlays in the current period. (18,777)

The issuance of long-term debt (e.g., bonds, notes, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the amount of the new lease obligation over the principal payments made on the leases. (15,215)

**Change in Net Position of Governmental Activities (page 12)** \$ 618,685

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

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

### A. Summary of Significant Accounting Policies:

**Introduction** – CAP Education Collaborative’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The accounting and reporting framework and the more significant accounting principles and practices of CAPS Education Collaborative are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Collaborative’s financial activities for the fiscal year ended June 30, 2014.

Prior to fiscal 2014, CAPS Education Collaborative (the Collaborative) did not present its financial statements in conformity with the accounting principles established by the Governmental Accounting Standards Board.

### **Financial Reporting Entity:**

CAPS Education Collaborative (the Collaborative), is an association of school committees formed for the purpose of conducting education programs and services to complement and strengthen the school programs of member school committees and increase educational opportunities for children. The Collaborative provides pre-school, elementary and secondary education for students ages 3 to 21 with significant disabilities. The Collaborative is governed by a Board of Directors comprised of Superintendents or members from school committees. For financial reporting purposes, the Collaborative is a stand-alone entity, not a component unit of another entity, and there are no component units included in its financial statements. The Collaborative was formed by agreement on July 1, 1976. The agreement is changed from time to time to accommodate member changes.

### **Government-Wide and Fund Financial Statements:**

The government-wide financial statements report information on all of the nonfiduciary activities of the Collaborative. The Collaborative has only governmental-type activities.

The statement of activities demonstrates both the gross and net cost per functional category. Direct expenses are those that are clearly identifiable with the specific function and program revenues must be directly associated with that function. Program revenues include charges for services as well as grants and contributions that are restricted to meeting operational requirements of the function. Other revenue sources such as member assessments, investment income, and miscellaneous revenues, not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds. The major individual governmental fund is reported in separate a column in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

(Continued)

### A. Summary of Significant Accounting Policies (Continued):

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues.

The Collaborative applies the susceptible-to-accrual criteria to intergovernmental revenues. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Collaborative; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually recoverable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible-to-accrual criteria are met.

Expenditures are recorded when the liability is incurred except for 1) interest on long-term debt, which is recorded when due; and 2) claims, judgments, and compensated absences, all of which are recorded as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources.

The Collaborative reports the general fund as a major governmental fund. The general fund is the Collaborative's primary operational fund. It accounts for all financial resources except for those required to be accounted for in a separate fund.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services provided, and 2) operating grants and contributions. General revenues are those that cannot be associated directly with program activities.

#### Assets and Liabilities:

##### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of highly liquid financial instruments with original maturities of three months or less.

##### Inventory

The cost of supplies and other inventorable items is recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2014.

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

(Continued)

### A. Summary of Significant Accounting Policies (Continued):

#### Assets and Liabilities (Continued):

##### Investments

Investments are stated at fair value, primarily based upon quotations from a national securities exchange.

##### Capital Assets

Capital assets, which include leasehold improvements, equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Collaborative as fixed assets with estimated useful lives of four years or more. These assets are valued at cost. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Donated capital assets are valued at their estimated fair value at the time received. Depreciation is provided on the straight-line basis and accelerated basis over the estimated useful lives of the assets, which are 5 years for equipment, 10 years for leasehold improvements, and 4 to 5 years for vehicles.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the capital and intangible assets.

##### Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, employees are not compensated for unused sick and vacation leave except for the Executive Director who may carryover a certain amount of unused vacation time. At June 30, 2014, there was no unused vacation time.

##### Long-Term Liabilities

For long-term liabilities, only that portion, which is matured, is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide financial statement of net position.

##### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Collaborative has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Collaborative has no items that qualify for reporting in this category.

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

(Continued)

### A. Summary of Significant Accounting Policies (Continued):

#### Net Position and Fund Balances

Net Position is reported as restricted when amounts are specified by outside parties for a specific future use. The Collaborative has net position restricted for various specific purposes due to donor intent.

The following fund balance classifications describe the relative strength of the spending constraints:

“Nonexpendable” – Represents amounts that are not in spendable form.

“Restricted” – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

“Committed” – represents amounts that can be used only for specific purposes imposed by a formal action of the Board of Directors, which is the highest level of decision-making authority for the Collaborative. Committed amounts may be established, modified, or rescinded only through actions approved by the Board of Directors.

“Assigned” – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes.

“Unassigned” – represents the residual fund balance for the general fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for the purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

#### Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Total Column

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

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

(Continued)

### A. Summary of Significant Accounting Policies (Continued):

#### Reconciliation of Government-Wide Fund Financial Statements:

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

### B. Departure from Generally Accepted Accounting Principles:

The Collaborative has not reported the liability for postemployment retirement benefits, in accordance with GASB Statement No. 45. The amounts by which this departure would affect the liabilities and expenses of the governmental activities are not reasonably determinable. The Collaborative pays a portion of retiree's health insurance up to age 65. An actuarial calculation of the liability has not been performed.

### C. Deposits and Investments:

The Collaborative maintains a cash and interest bearing deposit pool that is available for use by all funds.

State and local statutes place certain limitations on the nature of deposits and investments available to the Collaborative. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institution involved.

**Deposits – Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of bank failure, the Collaborative's deposits may not be returned to it. The Collaborative's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for deposits held at each financial institution. As of June 30, 2014 the Collaborative's bank balance was \$ 1,172,629 and \$ 922,629 was uninsured and uncollateralized.

#### Investments Summary:

The Collaborative's investments at June 30, 2014 are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

(Continued)

### C. Deposits and Investments (Continued):

#### Investments Summary (Continued):

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 to 5	6 to10	More Than 10
<b>Debt Securities:</b>					
U. S. Treasury	\$ 44,090	\$ 44,090	\$ -	\$ -	\$ -
Certificates of Deposit	20,503		15,545	4,958	
Municipal Bonds	15,521			4,522	10,999
Corporate Bond	10,489		10,489		
	90,603	\$ 44,090	\$ 26,034	\$ 9,480	\$ 10,999
<b>Other Investments:</b>					
Money Market Fund	13,797				
Equity Mutual Funds	84,377				
Bond Mutual Funds	19,528				
International Equity Funds	89,097				
	\$ 297,402				

At June 30, 2014, the Collaborative had a net unrealized gain of \$ 37,886 on its investments.

**Investments (Debt Securities) – Interest Rate Risk** – Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment although the maturity value is unaffected. The Collaborative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Investments – Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of a failure by the custodian, the Collaborative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Collaborative’s securities are the custody of Edward Jones at June 30, 2014. The Collaborative’s securities are protected under securities and Exchange Commission Rule 15c3-3. As of June 30, 2014, none of the Collaborative’s investments were subject to custodial credit risk.

**Investments – Credit Risk of Debt Securities** – Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will default on its obligations. The Collaborative has not adopted a formal policy related to credit risk.

**Investments – Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Collaborative’s investment in a single issuer. The Collaborative has not adopted a formal policy related to concentration of credit risk.



**CAPS EDUCATION COLLABORATIVE**

**Notes To The Basic Financial Statements**

**For The Year Ended June 30, 2014**

**(Continued)**

**D. Receivables and Interfund Receivables and Payables:**

Outstanding balances between funds at the end of the fiscal year are reported as “Due To/From Other Funds.”

Receivables as of year-end for the Collaborative’s general fund are as follows:

Member School Systems	\$ 718,785
Nonmember School Systems	58,041
Other	<u>600</u>
	<u>\$ 777,426</u>

No allowance for uncollectible accounts was deemed necessary at June 30, 2014.

**E. Capital Assets:**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 45,832	\$ -	(\$ 42,179)	\$ 3,653
Equipment	17,004		(17,004)	-
Vehicles	144,401	40,978		<u>185,379</u>
Total Capital Assets Being Depreciated	<u>207,237</u>	<u>40,978</u>	<u>(59,183)</u>	<u>189,032</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	10,321	4,583	(13,900)	1,004
Equipment	15,683	1,321	(17,004)	-
Vehicles	56,584	25,572		<u>82,156</u>
Total Accumulated Depreciation	<u>82,588</u>	<u>31,476</u>	<u>(30,904)</u>	<u>83,160</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 124,649</u>	<u>\$ 9,502</u>	<u>\$ 28,279</u>	<u>\$ 105,872</u>

Depreciation expense was charged to Functions/Programs as follows:

Administration and Office Expense	\$ 1,321
Facilities	4,583
Transportation	<u>25,572</u>
	<u>\$ 31,476</u>

**CAPS EDUCATION COLLABORATIVE**

**Notes To The Basic Financial Statements**

**For The Year Ended June 30, 2014**

**(Continued)**

**F. Line of Credit:**

The Collaborative has a \$ 300,000 line of credit with a bank. The line is on a revolving basis, payable on demand, and secured by all assets of the Collaborative. The interest rate is variable, with floor rate of 4.25%. There was nothing outstanding under the line of credit as of June 30, 2014. A beginning balance of \$ 85,273 was paid off during the year.

**G. Long-Term Liabilities – Capital Lease Obligations:**

The Collaborative leases six vehicles from one leasing company under capital leases payable in monthly installments until May 2019 with varying interest rates ranging from 4.151% to 9.633%.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Capital Lease Obligation	\$ 92,342	\$ 40,978	\$ 25,763	\$ 107,557	\$ 35,895

The following is a summary of future minimum payments including residual value amounts under the capital leases:

	<b>Fiscal Year</b>	<b>Amount</b>
	2015	\$ 43,908
	2016	37,874
	2017	18,839
	2018	8,852
	2019	16,114
		<u>125,587</u>
Less Amount Representing Interest		<u>18,030</u>
Present Value of Minimum Capitalized Lease Payments		<u>\$ 107,557</u>
The assets acquired through capital leases are as follows:		
Vehicles		\$ 185,379
Less Accumulated Depreciation		<u>82,156</u>
		<u>\$ 103,223</u>

**H. Operating Leases:**

The Collaborative has entered into several lease agreements (including a new lease effective July 1, 2014) for classroom and administrative office space under non-cancelable operating leases that expire on various dates through fiscal year 2018. It also leases space under annual lease arrangements. The cost of the leases for fiscal 2014 totaled \$ 100,000 and is reported as facilities expenditures in the general fund. Some of the leases are to related parties (member school systems) and \$ 60,000 is due to the related parties at June 30, 2014.

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

(Continued)

### H. Operating Leases (Continued):

The future minimum lease payments are as follows:

<b>Fiscal Year</b>	<b>Related Parties</b>	<b>Non-Related Parties</b>	<b>Total</b>
2015	\$ 45,000	\$ 100,145	\$ 145,145
2016	45,000	103,149	148,149
2017	10,000	106,244	116,244
2018	10,000	109,431	119,431
	<u>\$ 110,000</u>	<u>\$ 418,969</u>	<u>\$ 528,969</u>

The related parties are two member school systems. In addition, starting in fiscal 2015, the Collaborative is sub-leasing part of its space to another collaborative on an annual basis. The anticipated rental income from this arrangement for fiscal 2015 will be approximately \$ 26,600.

### I. Pension Plans:

#### Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan:

##### (a) Plan Description

Teachers, certain administrators, and other professionals of the Collaborative participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System. The Collaborative's payroll covered by this plan for the year ended June 30, 2014 was approximately \$ 1,950,000. Eligibility requirements for participation are as follows:

- The employee must be employed on at least a half-time basis in a contracted professional position within a public school system located in Massachusetts.
- An employee must be certified by the Massachusetts Department of Elementary and Secondary Education for a position which requires certification.

Benefit provisions and contribution requirements are established by state law.

Participation in the plan requires that members contribute a fixed percentage of their compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$ 30,000. Employee contributions vest immediately. After 10 years of service employee benefits become fully vested. After 20 years of service, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest-salary years of employee service and

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

(Continued)

### I. Pension Plans (Continued):

are determined in a manner similar to the provisions of the Commonwealth of Massachusetts State Employees Retirement System. The Teachers' Retirement System does not issue an annual financial report, but is included in the Commonwealth of Massachusetts' annual financial report, which may be obtained from the Comptroller's Office, One Ashburton Place, Boston, MA 02108.

#### (b) Funding Policy

The Collaborative has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The contribution attributable to benefits earned by Collaborative employees paid by the Commonwealth on behalf of the Collaborative amounted to \$ 500,885 for fiscal 2014.

### Commonwealth of Massachusetts State Employees Retirement System

#### (a) Plan Description

For eligible employees not covered by the Massachusetts Teachers' Retirement System (MTRS), the Collaborative contributes to the Commonwealth of Massachusetts State Employees Retirement System (SERS), a cost-sharing multiple-employer contributory defined benefit pension plan. SERS provides retirement and disability benefits, annual cost of living adjustments, and certain death benefits to members and their beneficiaries. The benefits are similar to those provided by the Massachusetts Teachers' Retirement System.

Benefit provisions and contributions are covered by State law.

SERS does not issue a stand-alone financial report, but is included as a fund within the state's annual financial statements.

#### (b) Funding Policy

Active members contribute 5, 7, 8, or 9% of their gross regular compensation and 2% over \$ 30,000 for those hired after January 1, 1979. The percentage rate is keyed to the date upon which an employee's membership commences. The Collaborative is required to contribute an actuarially determined annual amount to the plan. The Collaborative's contributions to SERS for the years ending June 30, 2014, 2013, and 2012 were \$ 103,347, \$ 92,247, and \$ 102,893, respectively, and were equal to the required contributions each year. Total payroll for employees covered by the SERS amounted to approximately \$ 1,750,000 for the year ended June 30, 2014.

The Collaborative's total covered payroll for both plans was approximately \$ 3,700,000.

### J. Implementation of GASB Pronouncements:

Statement #65, Items Previously Reported as Assets and Liabilities – The Collaborative implemented this statement in fiscal 2014. The objective of Statement #65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of Statement #65 did not result in any restatement of the beginning net position.

# CAPS EDUCATION COLLABORATIVE

## Notes To The Basic Financial Statements

For The Year Ended June 30, 2014

(Continued)

### J. Implementation of GASB Pronouncements (Continued):

Statement #66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 25*, which was required to be implemented during fiscal 2014. The implementation of this statement had no impact on the Collaborative's basic financial statements.

Statement #67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, which was required to be implemented during fiscal 2014. The implementation of this statement had no impact on the Collaborative's basic financial statements.

Statement #70, *Accounting and Financial Reporting for Non-Exchange Financial Guarantees*, which was required to be implemented during fiscal 2014. The implementation of this statement had no impact on the Collaborative's basic financial statements.

### K. Future Implementation of GASB Pronouncements:

GASB has issued the following statements where are effective after June 30, 2014:

Statement #68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal 2015. The Collaborative is currently evaluating the effect that this statement will have on its basic financial statements.

Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal 2015. The Collaborative is currently evaluating the effect that this statement will have on its basic financial statements.

Statement #71, *Pension Transition for Contributions made Subsequent to the Measurement date*, which is required to be implemented during fiscal 2015. The Collaborative is currently evaluating the effect that this statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CAPS EDUCATION COLLABORATIVE**

**GENERAL FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Budgetary Basis**

**For The Year Ended June 30, 2014**

	<b>Budget</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Tuition Revenue	\$ 4,477,127	\$ 4,477,127	\$ 4,492,497	\$ 15,370
Summer Tuition Revenue	315,000	315,000	281,340	(33,660)
Assessment Revenue	103,920	103,920	103,808	(112)
OT Reimbursement	190,000	190,000	191,330	1,330
PT Reimbursement	150,000	150,000	139,788	(10,212)
Speech Reimbursement	200,000	200,000	253,979	53,979
Instruction Reimbursement	250,000	250,000	420,667	170,667
Transportation	100,000	100,000	133,952	33,952
Investment Income	5,000	5,000	36,329	31,329
Other Income	2,950	2,950	6,573	3,623
	<u>5,793,997</u>	<u>5,793,997</u>	<u>6,060,263</u>	<u>266,266</u>
<b>Expenditures:</b>				
Administration	290,000	290,000	355,902	(65,902)
Instructional	2,440,000	2,440,000	2,390,865	49,135
OT	313,000	313,000	255,422	57,578
PT	270,000	270,000	242,360	27,640
Speech	363,000	363,000	304,404	58,596
Operations and Maintenance	365,000	365,000	330,758	34,242
Fixed Charges	937,000	937,000	833,447	103,553
Transportation	133,000	133,000	148,560	(15,560)
Reimbursed Expenses	225,000	225,000	323,160	(98,160)
Summer Program	315,000	315,000	221,233	93,767
Other Expenses	12,500	12,500	8,557	3,943
	<u>5,663,500</u>	<u>5,663,500</u>	<u>5,414,668</u>	<u>248,832</u>
<b>Change in Fund Balance</b>	<u>\$ 130,497</u>	<u>\$ 130,497</u>	<u>\$ 645,595</u>	<u>\$ 515,098</u>

**CAPS EDUCATION COLLABORATIVE**

**GENERAL FUND**

**Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Budgetary Basis**

**For The Year Ended June 30, 2014**

**Budgetary Basis of Accounting:**

The Collaborative adopts an annual budget for all general fund functions.

All portions of the annual budget are prepared under the direction of the Executive Director. The budget must be approved by a vote of the Board of Directors.

In Fiscal 2014, the original budget was not increased.

The Collaborative’s annual budget is prepared on a basis other than GAAP. The “actual” results column of the schedule of revenues, expenditures and changes in fund balances are presented on a “budgetary basis” to provide a meaningful comparison with the budget.

The following reconciliations summarize the differences between budgetary and GAAP – Basis accounting principles for the year ended June 30, 2014:

	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Financing Sources</b>	<b>Revenue And Other Sources Expenditures Over (Under)</b>
<b>Budgetary Basis</b>	\$ 6,060,263	\$ 5,414,668	\$ -	\$ 645,595
State Pension Payments Made on Behalf of the Collaborative	500,885	500,885		-
Depreciation Expense		(31,476)		31,476
Capital Lease Obligation		40,978	40,978	-
Capital Lease Obligation Principal Payments		25,763		(25,763)
Other	(1,381)	(1,381)		-
	<b>\$ 6,559,767</b>	<b>\$ 5,949,437</b>	<b>\$ 40,978</b>	<b>\$ 651,308</b>
<b>GAAP Basis</b>				



## **OTHER INFORMATION**

# CAPS EDUCATION COLLABORATIVE

## Other Information

### For The Year Ended June 30, 2014

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

#### Note 1 – Lease of Real Property

The Collaborative has entered into several lease agreements for classroom and administrative office space under non-cancelable operating leases that expire on various dates through fiscal year 2018. It also leases space under annual lease arrangements. The cost of the leases for fiscal 2014 totaled \$ 100,000 and is reported as facilities expenditures in the general fund.

The future minimum lease payments are as follows:

<b>Fiscal Year</b>	<b>Related Parties</b>	<b>Non-Related Parties</b>	<b>Total</b>
2015	\$ 45,000	\$ 100,145	\$ 145,145
2016	45,000	103,149	148,149
2017	10,000	106,244	116,244
2018	10,000	109,431	119,431
	<hr/>	<hr/>	<hr/>
	\$ 110,000	\$ 418,969	\$ 528,969

The related parties are two member school systems. In addition, starting in fiscal 2015, the Collaborative is sub-leasing part of its space to another Collaborative on an annual basis. The anticipated rental income from this arrangement for fiscal 2015 will be approximately \$ 26,600.

# CAPS EDUCATION COLLABORATIVE

## Other Information

For The Year Ended June 30, 2014

(Continued)

### Note 2 – Five Most Highly Compensated Employees

The following employees were the five highest compensated employees for the period ended June 30, 2014:

<u>Name</u>	<u>Employee Position</u>	<u>Salary</u>
Edward McCaul	Executive Director	\$ 120,782
Theresa Taylor	BCBA	95,080
Sheri D'Annolfo	KD Coordinator	82,500
Justin Nussey	Finance Manager	78,251
Katherine Figueira	Coordinator Jr./Sr. High and Gateway Programs	77,754

### Note 3 – Administration and Overhead

For fiscal year ended June 30, 2014, the Collaborative expended approximately \$ 380,500 for amounts related to administration and overhead.

### Note 4 – Student Activity Accounts

The Collaborative did not have any accounts that may be spent at the discretion of another person or entity.

### Note 5 – Services for Pupils age 22 and older

The Collaborative did not expend any funds on services for individuals age 22 or older.



# McCarthy, Hargrave & Co.

Certified Public Accountants

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

**To The Board of Directors Of The  
CAPS Education Collaborative  
Westminster, Massachusetts**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of CAPS Education Collaborative, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise CAPS Education Collaborative's basic financial statements, and have issued our report thereon dated December 11, 2014.

## **Internal Control Over Financial Reporting**

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

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 11, 2014

*McCarthy, Hargrave & Co.*