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READS Collaborative

105 East Grove St., Middleboro, MA 02346

Welcome and thank you for viewing the READS Collaborative Independent Auditors' Report for year ending June 30, 2014, issued by Borgatti Harrison Co.

Borgatti Harrison Co. conducted the audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The auditors have determined that the financial statements present fairly, in all material respects, the respective financial position of the Collaborative.

This financial report is designed to provide a general overview of the READS Collaborative's finances and any questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Donna R. Richards, Business Manager at READS Collaborative.

www.readscollab.org

Mission: To provide high quality, cost effective educational programs and services for all students.

READS COLLABORATIVE
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

READS COLLABORATIVE
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
READS Collaborative
Middleboro, Massachusetts

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

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 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 statement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the READS Collaborative, Middleboro, Massachusetts, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government 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 READS Collaborative, Middleboro, Massachusetts's basic financial statements. The accompanying Supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, on our consideration of the READS Collaborative, Middleboro, Massachusetts'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 tests on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 READS Collaborative, Middleboro, Massachusetts's internal control over financial reporting and compliance.



Borgatti Harrison & Co.

Framingham, Massachusetts
October 16, 2014

Management's Discussion and Analysis

As Management of the Regional Educational Assessment and Diagnostic Services Collaborative (READS Collaborative), we offer readers of the Collaborative financial statements this narrative overview and analysis of financial activities of the Collaborative for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic statements and notes to the basic statements.

Financial Highlights

The assets of the READS Collaborative exceeded its liabilities at the close of the fiscal year by \$2,486,221 (net position). Of this amount, \$820,345 (unrestricted net position) may be used to meet ongoing obligations of the Collaborative.

The total assets of the Collaborative are \$5,430,547. Of this amount, \$3,866,756 represents current assets.

The total revenues of the Collaborative for fiscal 2014 were \$7,892,970, a decrease of \$218,998 (2.70%) over fiscal 2013.

The total expenses of the Collaborative for fiscal 2014 were \$8,505,841, a decrease of \$140,498 (1.62%) over fiscal 2013.

The overall financial position of the Collaborative is stable. The change in net position for the fiscal year amounts to a decrease of \$612,871 (19.78%) due to funding the Other Post Employment Benefits Trust in the amount of \$453,268 and credits issued in the amount of \$318,884.

Overview of Financial Statements

This overview is intended to serve as an introduction to the Collaborative's basic financial statements. The Collaborative's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the Collaborative's finances, in a manner similar to a private sector business.

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

The statement of activities presents information showing how the Collaborative's assets changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions that are principally supported by member tuitions and intergovernmental revenues (government activities). The governmental activities include general government, pension benefits, property and liability insurance, employee benefits, claims and judgments, and interest.

Fund Financial Statements:

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

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and charges in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The READS Collaborative adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on **pages 6 through 14**.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 30 of this report. An index of the notes appears on page 15.

Government-Wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental assets exceeded liabilities by \$2,486,221 at the close of FY 2014, a decrease of \$612,871(19.78%).

Financial Analysis of Governmental Funds:

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

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

General Fund Budgetary Highlights:

Actual revenues were \$7,669,910, under budget by \$117,804, primarily due to program service fees.

Actual expenditures were \$8,169,744, under budget by \$452,645, primarily due to payroll and contract service costs associated with the decreased program services to members and nonmembers.

Fiscal Year 2015

The Collaborative has appropriated a balanced annual budget for FY 2015 of \$8,644,437. Student enrollment is anticipated to be the same as last year. The Collaborative anticipates that revenue and expenses will be in line with the current fiscal year.

Requests for information:

This financial report is designed to provide a general overview of the READS 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 Donna Richards, Business Manager at READS Collaborative, 105 East Grove Street, Middleboro, MA 02346.

READS COLLABORATIVE
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 3,532,306
Accounts receivable	304,523
Prepaid expenses	<u>29,927</u>
Total current assets	<u>3,866,756</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>1,563,791</u>
Total noncurrent assets	<u>1,563,791</u>
Total Assets	<u><u>5,430,547</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	137,944
Accrued payroll and other	<u>1,003,470</u>
Total current liabilities	<u>1,141,414</u>
Noncurrent Liabilities:	
Other post employment benefits obligation	1,728,285
Accrued employee benefits	<u>74,627</u>
Total noncurrent liabilities	<u>1,802,912</u>
Total Liabilities	<u><u>2,944,326</u></u>
NET POSITION	
Invested in capital assets, net of related debt	1,563,791
Restricted	102,085
Unrestricted	<u>820,345</u>
Total net position	<u><u>\$ 2,486,221</u></u>

See accompanying notes to financial statements

READS COLLABORATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental Activities					
Salaries and contract services	\$ 6,296,897	\$ 3,943,403	\$ 57,951	\$ -	\$ (2,295,543)
Payroll taxes and benefits	1,261,106	-	142,103	-	(1,119,003)
Legal	10,616	-	-	-	(10,616)
Conferences and conventions	39,425	-	967	-	(38,458)
Supplies and postage	120,976	-	11,721	-	(109,255)
Travel and transportation	60,063	-	5,625	-	(54,438)
Insurance	107,396	-	-	-	(107,396)
Advertising, subscriptions and other	52,952	-	750	-	(52,202)
Telephone	14,955	-	-	-	(14,955)
Repairs and maintenance	43,593	-	1,555	-	(42,038)
Rent	140,514	-	-	-	(140,514)
Equipment	49,051	-	738	-	(48,313)
Utilities	25,907	-	1,650	-	(24,257)
Recruitment	2,484	-	-	-	(2,484)
Tuition	34,339	-	-	-	(34,339)
Recreational services	79,620	-	-	-	(79,620)
Depreciation	165,947	-	-	-	(165,947)
Total governmental activities	<u>\$ 8,505,841</u>	<u>\$ 3,943,403</u>	<u>\$ 223,060</u>	<u>\$ -</u>	<u>(4,339,378)</u>
General revenues:					
Member assessments					3,720,521
Investment earnings					5,986
Other income					-
Total general revenues					<u>3,726,507</u>
Change in net position					(612,871)
Net position - beginning of year					<u>3,099,092</u>
Net position - end of year					<u>\$ 2,486,221</u>

See accompanying notes to financial statements

READS COLLABORATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,430,221	\$ 102,085	\$ 3,532,306
Accounts receivable	304,523	-	304,523
Prepaid expenses	29,927	-	29,927
Total assets	<u>\$ 3,764,671</u>	<u>\$ 102,085</u>	<u>\$ 3,866,756</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 137,944	\$ -	\$ 137,944
Accrued payroll and other	1,003,470	-	1,003,470
Total liabilities	<u>1,141,414</u>	<u>-</u>	<u>1,141,414</u>
Fund balances:			
Nonspendable	29,927	-	29,927
Restricted	-	-	-
Committed	-	-	-
Assigned	350,621	102,085	452,706
Unassigned	2,242,709	-	2,242,709
Total fund balances	<u>2,623,257</u>	<u>102,085</u>	<u>2,725,342</u>
Total liabilities and fund balances	<u>\$ 3,764,671</u>	<u>\$ 102,085</u>	<u>\$ 3,866,756</u>

See accompanying notes to financial statements

READS COLLABORATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
'JUNE 30, 2014

Total fund balance, governmental funds \$ 2,725,342

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.

1,563,791

In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in Governmental Funds, interest is not reported until due.

-

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

-

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

(1,802,912)

Net Position of Governmental Activities in the Statement of Net Position

\$ 2,486,221

See accompanying notes to financial statements

READS COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE, 30, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Program service fees - members	\$ 4,039,405	\$ 75,050	\$ 4,114,455
Program service fees - nonmembers	3,056,603	-	3,056,603
District contracted services and other	886,800	-	886,800
Credits issues	(318,884)	-	(318,884)
Interest income	5,986	-	5,986
Governmental revenue	140,510	7,500	148,010
Total revenues	<u>7,810,420</u>	<u>82,550</u>	<u>7,892,970</u>
EXPENDITURES			
Salaries and contract services	6,189,332	96,147	6,285,479
Payroll taxes and benefits	1,236,544	1,593	1,238,137
Legal	10,616	-	10,616
Conferences, conventions and meetings	38,458	967	39,425
Supplies and postage	109,255	11,721	120,976
Travel and transportation	54,438	5,625	60,063
Insurance	107,396	-	107,396
Advertising, subscriptions and other	52,202	750	52,952
Telephone	14,955	-	14,955
Repairs and maintenance	42,038	1,555	43,593
Rent	140,514	-	140,514
Equipment	173,806	738	174,544
Utilities	24,257	1,650	25,907
Recruitment	2,484	-	2,484
Recreational services	34,339	-	34,339
Tuition	79,620	-	79,620
Total expenditures	<u>8,310,254</u>	<u>120,746</u>	<u>8,431,000</u>
Excess (deficiency) of revenues over expenditures	<u>(499,834)</u>	<u>(38,196)</u>	<u>(538,030)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	25,338	-	25,338
Transfers (out)	-	(25,338)	(25,338)
Total other financing sources and uses	<u>25,338</u>	<u>(25,338)</u>	<u>-</u>
Net change in fund balances	(474,496)	(63,534)	(538,030)
Fund balances - beginning of year	3,097,753	165,619	3,263,372
Fund balances - end of year	<u>\$ 2,623,257</u>	<u>\$ 102,085</u>	<u>\$ 2,725,342</u>

See accompanying notes to financial statements

READS 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: \$ (538,030)

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 (\$125,493) exceeded depreciation (\$165,947) in the current period. (40,454)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. -

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. -

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Sick leave buyback not reflected on Governmental funds	(11,418)
OPEB liability not reflected on Governmental funds	(22,969)

Change in net position of governmental activities	\$ (612,871)
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See accompanying notes to financial statements

READS COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCE)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Program service fees - members	\$ 4,362,363	\$ 4,362,363	\$ 4,039,405	\$ (322,958)
Program service fees - nonmembers	3,359,340	3,359,340	3,056,603	(302,737)
District contracted services and other	298,966	298,966	886,800	587,834
Governmental revenue	-	-	-	-
Interest income	-	-	5,986	5,986
Credits issued	(318,884)	(318,884)	(318,884)	-
Total revenues	<u>7,701,785</u>	<u>7,701,785</u>	<u>7,669,910</u>	<u>(31,875)</u>
EXPENDITURES				
Salaries and contracted services	6,437,956	6,437,956	6,189,332	248,624
Payroll taxes and benefits	828,071	1,281,339	1,096,034	185,305
Legal	10,000	10,000	10,616	(616)
Conferences, conventions and meetings	55,100	55,100	38,458	16,642
Supplies and postage	110,575	110,575	109,255	1,320
Travel and transportation	45,950	45,950	54,438	(8,488)
Insurance	111,800	111,800	107,396	4,404
Advertising, subscriptions and other	12,650	12,650	52,202	(39,552)
Telephone	30,550	30,550	14,955	15,595
Repairs and maintenance	31,485	31,485	42,038	(10,553)
Rent	155,850	155,850	140,514	15,336
Equipment	31,800	117,729	173,806	(56,077)
Utilities	89,030	89,030	24,257	64,773
Recruitment	5,200	5,200	2,484	2,716
Recreational services	37,600	37,600	34,339	3,261
Tuition	89,575	89,575	79,620	9,955
Total expenditures	<u>8,083,192</u>	<u>8,622,389</u>	<u>8,169,744</u>	<u>452,645</u>
Excess (deficiency) of revenues over expenditures	<u>(381,407)</u>	<u>(920,604)</u>	<u>(499,834)</u>	<u>420,770</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	25,338	(25,338)
Use of unreserved surplus	381,407	920,604	920,604	-
Total other financing sources and uses	<u>381,407</u>	<u>920,604</u>	<u>945,942</u>	<u>(25,338)</u>
Net change in fund balances	-	-	446,108	446,108
Fund balances - beginning of year	<u>2,716,346</u>	<u>2,177,149</u>	<u>2,177,149</u>	-
Fund balances - end of year	<u>\$ 2,716,346</u>	<u>\$ 2,177,149</u>	<u>\$ 2,623,257</u>	<u>\$ 446,108</u>

See accompanying notes to financial statements

READS COLLABORATIVE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Other Post- Employment Benefits Trust
ASSETS	
Cash and cash equivalents	\$ -
Due from other governments	453,268
Total assets	<u>453,268</u>
LIABILITIES	
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for benefits and other purposes	<u>\$ 453,268</u>

See accompanying notes to financial statements

READS COLLABORATIVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Other Post- Employment Benefits Trust</u>
ADDITIONS	
Contributions	\$ 453,268
Investment earnings	<u>-</u>
Total additions	<u>453,268</u>
DEDUCTIONS	
Total deductions	<u>-</u>
Change in net assets	453,268
Net position - beginning of year	<u>-</u>
Net position - end of year	<u>\$ 453,268</u>

See accompanying notes to financial statements

READS COLLABORATIVE

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READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Regional Educational Assessment and Diagnostic Services (READS) Collaborative (Collaborative) is an educational collaborative established under Massachusetts General Laws, Chapter 40, Section 4E and Board of Education policy and an agreement between School Committees of the Towns of Abington, Berkley, Carver, East Bridgewater, Marion, Mattapoisett, Middleboro, Rochester, Taunton, West Bridgewater, Freetown-Lakeville Regional School District, Dighton-Rehobeth Regional School District and the Bridgewater-Raynham Regional School District. The Collaborative was formed in 1974 with the purpose of providing educational services to low incidence handicapped school age children.

The accounting and reporting policies of the Collaborative relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United State of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

B. Financial Reporting Entity

The Collaborative's basic financial statements include the accounts of all Collaborative operations. The criteria for including organizations as component units within the Collaborative's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * The organization is legally separate (can sue and be sued in their own name)
- * The Collaborative holds the corporate powers of the organization
- * The Collaborative appoints a voting majority of the organization's board
- * The Collaborative is able to impose its will on the organization
- * The organization has the potential to impose a financial benefit/burden on the Collaborative
- * There is fiscal dependency by the organization on the Collaborative

Based on the aforementioned criteria, the READS Collaborative has no component units.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

C. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the Collaborative.

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

Fund Financial Statements:

The Collaborative segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental activities typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Collaborative has presented the following major governmental funds:

General Fund - This fund is the main operating fund of the Collaborative. It is used to account for all financial resources not accounted for in other funds. All member tuitions and other fees that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, insurance and benefits and other costs that are not paid through other funds are paid from the General Fund. The general fund is always considered a major fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the **nonmajor governmental funds** column on the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than capital projects or permanent funds) that are restricted by law or administrative action to expenditures for specified purposes.

Fiduciary Fund Financial Statements:

Other Post-Employment Benefits Trust Funds - This fund is used to account for resources legally held in trust for retiree health insurance premiums.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

D. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations on their use either through the enabling legislations adopted by the Collaborative or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Collaborative is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Massachusetts General Laws or Collaborative Agreement).

Enabling legislation authorizes the Collaborative to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Collaborative can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Collaborative Board. Those committed amounts cannot be used for any other purpose unless the Collaborative Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts by Collaborative Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Collaborative for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Collaborative Board, a Collaborative official delegated that authority by the Collaborative Agreement or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Collaborative applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The Collaborative considers revenues as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Government Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement costs, claims and judgments are recorded only when payment is due. The revenues susceptible to accrual are tuitions, program service fees, reimbursable income, interest income and intergovernmental revenues. All other governmental fund revenue is recognized when received.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

G. Budgetary Control

The Board of Directors annually determines the amount to be raised (after deducting the amount of anticipated revenues from other sources, including surplus revenue, if any) to maintain and operate the Collaborative during the next fiscal year and then, based upon enrollment data, assesses the member and non-member districts in accordance with the terms of the agreement.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2014 approved budget for the general fund was \$8,083,192 in appropriations and carryforwards. During fiscal year 2014, there were supplemental changes in appropriations in the amount of \$539,197.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and continuing appropriations, which are adjusted to the actual results for comparison. Deficits, if any, are raised in the subsequent year's budget process.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end.

An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less is also considered being "cash equivalents".

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

J. Inventories of Supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of net assets as inventories.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

K. Interfund Receivable and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

L. Compensated Absences

Professional staff can be compensated for unused sick leave based upon the number of continuous years of service, as outlined in their Union contract. For Governmental Funds, vested or accumulated vacation and sick leave that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities.

M. Encumbrances and Continuing Appropriations

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

N. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

O. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$2,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 Years
Furniture and equipment	5 - 7 Years
Improvements	10 Years

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

P. Claims and Judgments

Estimated losses from judgments and claims are recorded in the Government-Wide financial statements as a liability and as an expense if the loss is probable and amounts can be reasonably estimated.

Q. Reconciliation of Government-Wide and 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.

R. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

2 - BUDGETARY BASIS OF ACCOUNTING

The READS Collaborative prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Collaborative's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide meaningful comparison of actual results with budget. The major differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues over expenditures on the budget basis to a GAAP basis are provided below:

Excess of revenues over expenditures – budget basis	\$ (499,834)
Record revenue recognized for MTRS on-behalf payments	140,510
Record expenditures recognized for MTRS on-behalf payments	<u>(140,510)</u>
Excess of revenues over expenditures – GAAP basis	<u><u>\$(499,834)</u></u>

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3 - DEPOSITS AND INVESTMENTS

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 or insurance protection by the financial institutions involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of 90 days or less which are collateralized by such securities. The Collaborative also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

The Collaborative has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments in relation to the Collaborative's restricted investments in the Permanent Funds. The Collaborative maintains a cash and investment pool that is available for use by all funds with unrestricted cash and investments.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Collaborative's deposits may not be recovered. The Collaborative does not have a policy for custodial credit risk of deposits. As of June 30, 2014, \$285,140 of the Collaborative's bank balance of \$535,140 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, 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 does not have a policy for custodial credit risk of investments.

The Collaborative has a repurchase agreement with Rockland Trust Co. whereby the daily amount exceeding the target balance is swept into a one-day repurchase instrument. The bank then purchases and assigns to the Collaborative securities with a par value and market value sufficient to cover the amount of the repurchase instrument. As of June 30, 2014, securities in the amount of \$3,205,747 were registered in the name of the Collaborative and, therefore, were not exposed to custodial credit risk.

Interest Rate Risk of Debt Securities – Investments

Interest rate risk of debt securities for investments is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Collaborative does not have a policy for interest rate risk of debt securities.

Credit Risk of Debt Securities – Investments

Credit risk of debt securities for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation. The Collaborative does not have a policy for credit risk of debt securities.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4 - PENSION PLANS

Plan Description and Provisions

The Collaborative provides pension benefits for substantially all employees except certain administrative employees, professional employees and teachers, through the Massachusetts Retirement System (MRS), a cost sharing multiple-employer retirement system established under the Massachusetts Contributory Retirement Law. Benefit provisions and contribution requirements are established by state law.

The system provides retirement benefits up to a maximum of 80% of a member's highest three year average annual compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the system become fully vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The Plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years creditable service, (2) was on the Collaborative payroll after January 1, 1978, (3) voluntarily left Collaborative employment on or after that date, and (4) left accumulated annuity deductions in the Fund.

The MRS issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission.

Funding Policy

Plan members are required to contribute to the MRS at rates ranging from 5% to 11% of their annual covered compensation, on a pre-tax basis. The Collaborative is required to contribute at an actuarially determined rate that is apportioned among employees based on active current payroll. The contribution requirements of plan members are established and may be amended by the MRS Board of Trustees. The Collaborative's current contribution rate is 5.6%.

Annual Pension Cost

For 2014, the Collaborative's annual pension cost of \$126,254 was equal to the Collaborative's required and actual contributions. The periodic employer contributions to the retirement system are determined on an actuarial basis using the entry age normal actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded on a current basis. The unfunded actuarial accrued liability is funded on a schedule that ends no later than the year 2040. The annual amortization of the unfunded actuarial liability increases each year by no more than 7.5%. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The significant actuarial assumptions used in the determination of the standardized measure of the pension benefit obligation and contributions are summarized below:

- * The rate of return on the investment of present and future assets is 8% per year, compounded annually.
- * Future pension payments reflect an assumption of a 4.5% salary increase per year.
- * Additional projected salary increases of 1.5% a year attributable to longevity/merit.
- * Future pension payments reflect no post-retirement benefit increases.

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contribution
2012	\$ 164,940	100%
2013	132,699	100%
2014	126,254	100%

Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

Certain employees of the Collaborative participate individually in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. Benefit provisions and contribution requirements are established by state law. 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 the public school system located in Massachusetts.
- * The employee must be certified by the Massachusetts Department of Education for a position which requires certification.

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, 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-salaried years of employee service and are determined in a manner similar to the provisions of MRS.

The Collaborative has no obligation to contribute to the plan. All pension benefits and expenses paid by the Teachers Retirement Board are funded by the Commonwealth of Massachusetts. Payments made by the Commonwealth of Massachusetts on behalf of the Collaborative amounted to \$140,510 in fiscal 2014 and are reflected as revenues and corresponding expenditures in the Collaborative's financial statements.

READS COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - LONG-TERM OBLIGATIONS

Transactions for the year ended June 30, 2014 are summarized as follows:

	<u>Balance</u> <u>July 1</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>June 30</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Type Activities</u>					
Compensated Absences	\$ 63,209	\$ 11,418	\$ -	\$ 74,627	\$ -
Total governmental activities	<u>\$ 63,209</u>	<u>\$ 11,418</u>	<u>\$ -</u>	<u>\$ 74,627</u>	<u>\$ -</u>

6 - CAPITAL ASSETS

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 100,687	\$ -	\$ -	\$ 100,687
Capital assets, being depreciated				
Furniture and equipment	831,702	80,494	-	912,196
Buildings	1,692,377	-	-	1,692,377
Improvements	<u>67,047</u>	<u>44,999</u>	<u>-</u>	<u>112,046</u>
Total capital assets, being depreciated	<u>2,591,126</u>	<u>125,493</u>	<u>-</u>	<u>2,716,619</u>
Less accumulated depreciation for:				
Furniture and equipment	476,160	112,434	-	588,594
Buildings	588,402	42,308	-	630,710
Improvements	<u>23,006</u>	<u>11,205</u>	<u>-</u>	<u>34,211</u>
Total accumulated depreciation	<u>1,087,568</u>	<u>165,947</u>	<u>-</u>	<u>1,253,515</u>
Total capital assets, being depreciated, net	<u>1,503,558</u>	<u>(40,454)</u>	<u>-</u>	<u>1,463,104</u>
Governmental activities capital, assets net of accumulated depreciation	<u>\$ 1,604,245</u>	<u>\$ (40,454)</u>	<u>\$ -</u>	<u>\$ 1,563,791</u>

Depreciation expense is not allocated to programs of the primary government but is shown as a separate line item in the statement of activities.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - COMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustments by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Collaborative. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Collaborative expects such amounts, if any, to be immaterial.

The Collaborative rents classroom space at several locations under long-term and short-term arrangements. Rent expense under these leases amounted to \$123,333 for the year ended June 30, 2014.

The Collaborative leases a school bus and various office equipment under long-term lease agreements that expire in 2015. Rent expense under these leases amounted to \$17,181 for the year ended June 30, 2014.

8 - RISK FINANCING

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; workers compensation claims; errors and omissions; and natural disasters for which the Collaborative carries commercial insurance.

9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The Collaborative provides health insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefits Other Post Employment Benefit (OPEB) plan. Chapter 32B of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2011, the latest actuarial valuation, is as follows:

Active employees.....	110
Retired employees and beneficiaries.....	<u>2</u>
Total	<u>112</u>

Funding Policy - The contribution requirements of the Plan and the Collaborative is established by the Board of Directors. The current required health insurance contribution rates of Plan members and the Collaborative are 50% and 50%, respectively. The Collaborative began partially funding the Plan in 2014.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Annual OPEB and NET OPEB Obligation – The Collaborative’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Collaborative’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Collaborative’s net OPEB obligation are summarized in the following table:

Normal cost	\$ 339,189
Amortization of unfunded actuarial accrued liability	98,169
Interest on OPEB obligation	71,407
Other adjustments	<u>(5,114)</u>
	503,651
Contributions made	<u>480,682</u>
	22,969
Increase in net OPEB obligation	22,969
Net OPEB obligation, beginning of year	<u>1,705,316</u>
Net OPEB obligation, end of year	<u><u>\$ 1,728,285</u></u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contribution and the net pension obligation is as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2014	\$503,651	95.44%	\$ 22,969
6/30/2013	462,230	5.93%	434,817
6/30/2012	421,972	1.14%	417,234
6/30/2011	290,103	2.02%	853,265
6/30/2010	290,103	2.02%	564,024

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Funding Status and Funding Progress – The funding status of the Plan on July 1, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/08	\$ -	\$ 1,765,435	\$ 1,765,435	\$ -	\$ 4,584,071	38.5%
07/01/11	-	2,486,723	2,486,723	-	3,635,432	68.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2011
Actuarial cost method:	Projected Unit Credit
Amortization method:	Projected Unit Credit
Remaining amortization period:	27 Years
Interest discount rate:	4%
Healthcare/medical cost trend rate:	7% decreasing by 1% to an ultimate level of 5% per year

10 – EVALUATION OF SUBSEQUENT EVENTS

The Collaborative has evaluated subsequent events through October 16, 2014, the date which the financial statements were available to be released.

READS COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Collaborative is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<u>Nonspendable:</u>			
Prepaid expenses	\$ <u>29,927</u>	\$ <u>-</u>	\$ <u>29,927</u>
<u>Restricted For:</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Committed To:</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Assigned:</u>			
Special events	-	27,265	27,265
Early intervention	-	4,396	4,396
School based Medicaid	-	70,424	70,424
Capital improvements	<u>350,621</u>	<u>-</u>	<u>350,621</u>
Total Assigned	<u>350,621</u>	<u>102,085</u>	<u>452,706</u>
<u>Unassigned:</u>	<u>2,242,709</u>	<u>-</u>	<u>2,242,709</u>
Total Fund Balances	<u>\$2,623,257</u>	<u>\$ 102,085</u>	<u>\$2,725,342</u>

SUPPLEMENTARY INFORMATION

READS COLLABORATIVE

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

JUNE 30, 2014

1. Transactions between the Collaborative and any related for-profit or non-profit organization:
None

2. Transactions or contracts related to the purchase, sale, rental or lease of real property:

* Annual contracts for the lease of classroom space from member school districts at the following locations:

West Bridgewater High School	\$ 6,500
Central Baptist Church, Middleboro	8,000
Freetown-Lakeville Regional School District	6,000

* Long-term lease for the lease of classroom space from member school districts at the following locations:

Bridgewater-Raynham Regional School District	48,833
Middleboro Public Schools, including annual capital improvements surcharge	<u>54,000</u>
Total rent paid for real estate	<u><u>\$ 123,333</u></u>

3. The names, duties and total compensation of the 5 most highly compensated employees:

Theresa Craig, Executive Director	\$ 130,832
John Dorn, Psychologist/Neurologist	169,343
Donna Richards, Business Manager	85,510
Deirdre Dowd-Pizzuto, Program Director	91,114
Evelyn Rankin, Program Director	84,574

4. The amounts expended on administration and overhead :

\$ 538,852

5. Any accounts held by the Collaborative that may be spent at the discretion of another person or entity: None

6. The amounts expended on services for individuals age 22 and older:

None

See accompanying auditor's report on supplementary information

READS COLLABORATIVE
INDEPENDENT AUDITORS' REPORTS PURSUANT
TO GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2014

READS COLLABORATIVE

INDEPENDENT AUDITOR'S REPORTS PURSUANT TO GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2014

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

Board of Directors
READS Collaborative
Middleboro, 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 the READS Collaborative, Middleboro, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the READS Collaborative, Middleboro, Massachusetts's basic financial statements, and have issued our report thereon dated October 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the READS Collaborative, Middleboro, Massachusetts'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 on the READS Collaborative, Middleboro, Massachusetts's internal control. Accordingly, we do not express an opinion on the effectiveness of READS Collaborative, Middleboro, Massachusetts'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 the READS Collaborative, Middleboro, Massachusetts'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 on 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.



Borgatti Harrison & Co.

Framingham, Massachusetts
October 16, 2014