

**SOUTH COAST EDUCATIONAL  
COLLABORATIVE**

BASIC FINANCIAL STATEMENTS  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

# **SOUTH COAST EDUCATIONAL COLLABORATIVE**

## **TABLE OF CONTENTS**

**JUNE 30, 2017**

	<b>Page No.</b>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 5
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet – Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12 - 20
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund – Budget and Actual – Budgetary Basis	22
SUPPLEMENTARY INFORMATION	24 - 25
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27



**Business Advisors**  
**Certified Public Accountants**

## **Independent Auditors' Report**

To the Board of Directors  
South Coast Educational Collaborative  
Swansea, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of South Coast Educational Collaborative as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of South Coast Educational Collaborative as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 and the budgetary comparison information on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Coast Educational Collaborative basic financial statements. The supplementary information contained on pages 24-25 is presented for the purpose of additional analysis and is not a required part of the financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of South Coast Educational Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Coast Educational Collaborative's internal control over financial reporting and compliance.

*Pawento, Ratchliffe, Rerzi + Co., LLC*

Franklin, Massachusetts  
October 10, 2017

## SOUTH COAST EDUCATIONAL COLLABORATIVE

### MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2017

The following discussion and analysis of the South Coast Educational Collaborative's (the Collaborative) financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2017 and summarized comparative information for 2016. Please read it in conjunction with the Collaborative's financial statements which begin on page 6.

#### THE COLLABORATIVE AS A WHOLE

The Collaborative provides educational programs and services, which primarily serve the low-incidence special needs of children and adults (ages three through twenty-two). In addition, the Collaborative provides professional development programs and services that enhance education improvement and leadership. Provision of services is confined to public school systems in the Southeastern Massachusetts and Rhode Island regions. The Collaborative is supported through tuitions and fees for related, clinical, and consultation services from contracting municipalities. The Collaborative is governed by a seven member Board of Directors representing eight member districts (one board member represents two districts).

#### OVERVIEW OF THE FINANCIAL REPORTS

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

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

#### Government-wide Statements

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

- The **Statement of Net Position** presents information on all of the Collaborative's assets and liabilities with the difference between the two reported as *net position*. It is one way of measuring the Collaborative's financial health or position.
- The **Statement of Activities** presents information showing how the Collaborative's net position changed during the most recent fiscal year. All the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid.

Over time, increases or decreases in the Collaborative's net position is an indicator of whether its financial position is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions when evaluating the overall financial health of the Collaborative.

## SOUTH COAST EDUCATIONAL COLLABORATIVE

### MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2017

#### OVERVIEW OF THE FINANCIAL REPORTS *(continued)*

##### ***Fund Financial statements***

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

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

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summarized **Statement of Net Position** is for the fiscal year 2017 with comparative information from fiscal year 2016.

	June 30, 2017	June 30, 2016
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$4,496,323	\$4,671,376
Capital assets	<u>1,903,952</u>	<u>1,357,749</u>
Total assets	<u>\$6,400,275</u>	<u>\$6,029,125</u>
Current liabilities, i.e. accounts payable, accrued expenses, debt, and unearned income	\$2,296,512	\$2,114,617
Non-current liabilities	<u>80,012</u>	<u>24,685</u>
Total liabilities	<u>\$2,376,524</u>	<u>\$2,139,302</u>
Net position:		
Invested in capital assets, net of related debt	\$1,788,510	\$1,317,404
Restricted	-	-
Unrestricted	<u>2,235,241</u>	<u>2,572,419</u>
Total net position	<u>\$4,023,751</u>	<u>\$3,889,823</u>

## SOUTH COAST EDUCATIONAL COLLABORATIVE

### MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2017

As indicated in the following summarized **Statement of Activities and Changes in Net Position**, net position increased by \$133,928 during the current fiscal year. Revenues increased due to an unexpected increase in non-member students, 8 more than budgeted. Staffing was adjusted during the year as needed to accommodate the rise in student enrollment. Operating expenses increased overall, but at a lower rate than revenue. Fiscal year 2017 included the rent and renovation expense of the YMCA in Swansea. The YMCA program was not operational until FY18, therefore there were no additional program revenues to offset these additional expenses. Rent expense for the YMCA was accounted for in Administrative Expenses during FY17. Intergovernmental revenue and expense ("on behalf" pension payments made by the Commonwealth of Massachusetts) increased by \$569,629. This number is generated by the Commonwealth and does not affect net position because it is recorded as both revenue and expense and nets to zero.

	Year ended June 30, 2017	Year ended June 30, 2016	% Change
Revenues:			
Charges for student services	\$17,070,402	\$15,899,397	+7.4%
Intergovernmental revenue	2,367,728	1,798,099	
Grants and contributions	-	-	
Interest income	<u>2,505</u>	<u>1,599</u>	
Total revenues	<u>19,440,635</u>	<u>17,699,095</u>	
Expenses:			
Student services	15,045,685	14,423,803	+4.3%
General and administrative	1,749,788	1,579,607	+10.8%
Depreciation	143,506	98,739	
Intergovernmental expense	<u>2,367,728</u>	<u>1,798,099</u>	
Total expenses	<u>19,306,707</u>	<u>17,900,248</u>	
Change in net position	133,928	(201,153)	
Net position – beginning	<u>3,889,823</u>	<u>4,090,976</u>	
Net position – ending	<u>\$ 4,023,751</u>	<u>\$ 3,889,823</u>	

### GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2017 was based on the assumption that revenue from charges for student services would increase by approximately three percent. Actual revenues were higher than budgeted due to additional students enrolling in the Collaborative programs, many from non-member towns. Actual expenditures were over budget by approximately \$693,125 due to staffing additions to adjust to the student enrollment numbers and due to the rent and renovation costs for the YMCA Swansea program.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Collaborative's finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office of the Collaborative.

# **SOUTH COAST EDUCATIONAL COLLABORATIVE**

## **STATEMENT OF NET POSITION**

**JUNE 30, 2017**

	<b>Governmental Activities</b>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$2,528,072
Accounts receivable	1,709,228
Prepaid expenses	<u>259,023</u>
Total current assets	<u>4,496,323</u>
<b>DEPRECIABLE CAPITAL ASSETS, net of accumulated depreciation</b>	<b>1,398,977</b>
<b>LAND</b>	<b><u>504,975</u></b>
Total capital assets	<u>1,903,952</u>
Total assets	<u>\$6,400,275</u>
<b>CURRENT LIABILITIES:</b>	
Accounts payable and accrued expenses	\$1,403,755
Current portion of long-term debt	35,430
Unearned revenue	<u>857,327</u>
Total current liabilities	<u>2,296,512</u>
<b>LONG-TERM DEBT</b>	<b><u>80,012</u></b>
	2,376,524
<b>NET POSITION:</b>	
Investment in capital assets, net of related debt	1,788,510
Unrestricted	<u>2,235,241</u>
Total net position	<u>4,023,751</u>
Total liabilities and net position	<u>\$6,400,275</u>

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



# SOUTH COAST EDUCATIONAL COLLABORATIVE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Charges for Expenses	Program Revenue Charges for Services	Total
<b>Governmental Activities:</b>			
Student services	\$15,045,685	\$17,070,402	\$ 2,024,717
General and administrative	1,749,788	-	(1,749,788)
Depreciation	143,506	-	(143,506)
Intergovernmental revenue	<u>2,367,728</u>	<u>2,367,728</u>	<u>-</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$19,306,707</u>	 <u>\$19,438,130</u>	 <u>131,423</u>
<b>General revenue:</b>			
Interest			2,505
Other			<u>-</u>
Change in Net Position			<u>133,928</u>
NET POSITION, BEGINNING OF YEAR			<u>3,889,823</u>
NET POSITION, END OF YEAR			<u>\$ 4,023,751</u>

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

# **SOUTH COAST EDUCATIONAL COLLABORATIVE**

## **BALANCE SHEET – GOVERNMENTAL FUNDS**

**JUNE 30, 2017**

**ASSETS:**

Cash and cash equivalents	\$2,528,072
Accounts receivable	1,709,228
Prepaid expenses	<u>259,023</u>

Total assets \$4,496,323

**LIABILITIES:**

Accounts payable and accrued expenses	\$1,031,890
Unearned revenue	<u>857,327</u>

Total liabilities 1,889,217

**FUND BALANCES:**

Nonspendable	259,023
Cumulative surplus (Unassigned)	<u>2,348,083</u>

Total fund balances 2,607,106

Total liabilities and fund balance \$4,496,323

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

## **SOUTH COAST EDUCATIONAL COLLABORATIVE**

### **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES:	
Direct service and administrative	\$17,070,402
Intergovernmental revenue	2,367,728
Interest income	<u>2,505</u>
Total revenues	<u>19,440,635</u>
EXPENDITURES:	
Administrative expenses	1,709,876
Intergovernmental expense	2,367,728
Program expenses	15,045,685
Capital outlay, net of debt incurred	588,063
Debt Services:	
Debt principal	26,550
Debt interest	<u>4,598</u>
Total expenditures	<u>19,742,500</u>
Revenue over (under) expenditures	<u>(301,865)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,908,970</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,607,105</u>

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

## **SOUTH COAST EDUCATIONAL COLLABORATIVE**

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

**JUNE 30, 2017**

Total fund balance, governmental funds	\$2,607,105
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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 the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,903,952
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Certain liabilities are not typically due and payable in the current period and, therefore, are not reported in the governmental funds.

Notes payable	(115,442)
Compensated absences	<u>(371,864)</u>

Net Position of Governmental Activities in the Statement of Net Position	<u>\$4,023,751</u>
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*The accompanying notes are an integral part of these financial statements.*

## SOUTH COAST EDUCATIONAL COLLABORATIVE

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

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in balances - governmental funds	\$(301,865)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

This is the amount gross capital outlays exceeded depreciation in the current period.	546,203
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Governmental funds report debt service payments as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only the current year interest accrued on the debt as expense.

This is the amount of debt principal payments in the current period.	26,550
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Governmental funds report capital outlays used for current year acquisitions net of debt incurred because only the current amount is a use of financial resources. In contrast, the Statement of Net Position reports capital assets at gross.

This is the amount of debt incurred to purchase capital assets in the current period.	(101,647)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.	<u>(35,313)</u>
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Changes in Net Position of Governmental Activities in the Statement of Activities	<u>\$ 133,928</u>
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*The accompanying notes are an integral part of these financial statements.*

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

### (1) NATURE OF ORGANIZATION AND REPORTING ENTITY

#### (a) *Organization*

South Coast Educational Collaborative (the Collaborative) is a public education collaborative established under Massachusetts General Law Chapter 40, Section 4E. The collaborative provides educational programs and services, which primarily serve the low-incidence special needs of children and adults (aged three through twenty-two). In addition, the Collaborative provides professional development programs and services that enhance education improvement and leadership. The Collaborative is primarily supported through program tuitions and fees for related, clinical, and consultation services from contracting municipalities. Provision of services is confined to public school systems in the Southeastern Massachusetts and Rhode Island regions.

#### (b) *Reporting Entity*

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

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) *Basis of Presentation*

The Collaborative's basic financial statements include both government-wide and fund financial statements.

**The government-wide financial statements** report information on all activities of the Collaborative on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term obligations. The Collaborative's net position is reported in three parts: net investment in capital assets, restricted, and unrestricted. Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use. The Collaborative first utilizes restricted resources to finance qualifying activities.

**Fund financial statements** present governmental funds on a measurement basis focusing on sources, uses and balance of current financial resources on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. 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 pay liabilities of the current period. The general fund is the Collaborative's primary operating fund. It accounts for all financial resources of the Collaborative. Fund balances within the general fund are classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) *Basis of Presentation (Continued)*

Following are the governmental fund classifications available to the Collaborative:

*Nonspendable* – includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

*Restricted* – amounts subject to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or due to constitutional provisions or enabling legislation.

*Committed* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

*Assigned* – amounts that are intended to be used for specific purposes but are not considered restricted or committed.

*Unassigned* – is the residual classification for the general fund. It represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

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

(b) *Cash and Cash Equivalents*

The Collaborative considers all unrestricted highly- liquid investments with an initial maturity of three months or less to be cash equivalents.

(c) *Accounts Receivable and Revenue*

Trade accounts receivable consist of amounts due from municipalities for program services, less an allowance for doubtful accounts, if applicable. An allowance for doubtful accounts is recorded based on management's assessment of the status of individual receivables. No allowance was deemed necessary by management as of June 30, 2017. It is the Collaborative's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Student services revenue consists of charges to districts for tuition, therapy and transportation services. Intergovernmental revenue consists of payments made to retired Collaborative employees by the Commonwealth of Massachusetts "on behalf" of the Collaborative. These payments are recorded as revenue and expenditures in the financial statements.

(d) *Reclassifications*

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the net change in fund balance.

# **SOUTH COAST EDUCATIONAL COLLABORATIVE**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(e) Capital Assets*

Property and equipment are recorded at cost, if purchased or at fair market value at the date of donation. Capital assets with a cost or value greater than \$5,000 are capitalized. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

*(f) Allocation of Costs*

Directly identifiable costs are charged to student services or general and administrative functions as applicable. Costs related to more than one function are allocated based on criteria intended to associate the cost with the related functions.

*(g) Use of Estimates*

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

*(h) Fair Value of Financial Instruments*

The Collaborative's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and accounts receivable. The Collaborative estimates that the fair value of all financial instruments at June 30, 2017 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

*(i) Budgetary Control*

The Board of Directors annually approves a budget based upon estimated enrollments for the year. Changes during the year based on actual numbers due to either enrollment fluctuations or unanticipated expenditures are presented to the Board for review through financial reports presenting budgeted to actual amounts.

The statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual – Budgetary Basis presents a comparison of budgetary data to actual results. The General Fund uses the same basis of accounting for both budgetary and actual amounts.



# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(3) CAPITAL ASSETS

Capital asset activity for fiscal year 2017 is as follows:

	Balance June 30, 2016	Additions	Disposals	Balance June 30, 2017
<b>Capital assets:</b>				
Land	\$ 504,975	\$ -	\$ -	\$ 504,975
Building & improvements	1,462,787	56,685	-	1,519,472
Leasehold improvements	549,025	484,444	-	1,033,469
Vehicles	<u>120,288</u>	<u>148,580</u>	-	<u>268,868</u>
<b>Total capital assets</b>	2,637,075	689,709	-	3,326,784
<b>Less accumulated depreciation:</b>				
Land	-	-	-	-
Building & improvements	742,467	74,763	-	817,230
Leasehold improvements	486,595	30,903	-	517,498
Vehicles	<u>50,264</u>	<u>37,840</u>	-	<u>88,104</u>
<b>Total accumulated depreciation</b>	<u>1,279,326</u>	<u>143,506</u>	-	<u>1,422,832</u>
<b>Capital assets, net</b>	<u>\$1,357,749</u>	<u>\$546,203</u>	<u>\$ -</u>	<u>\$1,903,952</u>

Depreciation and amortization expense totaled \$143,506 and was not allocated to governmental functions. It appears unallocated on the statement of activities.

(4) RETIREMENT BENEFIT PLAN

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

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The Collaborative's contribution rate was 5.6% of MSERS wages as of June 30, 2017 and totaled \$250,895 for the fiscal year then ended. This contribution is calculated per MGL 32, & 28(4)(c) as a reimbursement to the Massachusetts State Retirement Board (the Board) for its share of any retirement allowance or pension amounts paid by the Board during the preceding calendar year which were based on service to the Collaborative as determined by the plan actuary.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

### (4) RETIREMENT BENEFIT PLAN (Continued)

Legally, the Collaborative is responsible for contributing the annual normal cost of its employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and is not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaborative. The Commonwealth, as a non-employer contributor, is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As such, the Commonwealth contributes to the Massachusetts State Employees' Retirement System on behalf of the Collaborative. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Contributions made by the Commonwealth "on behalf" of the Collaborative totaled \$318,646. This amount is included in the accompanying statement of activities as intergovernmental revenue and expense.

The following information was attributed to South Coast from allocation schedules prepared by The Commonwealth of Massachusetts State Retirement Board and audited by KPMG, LLP:

Net pension liability 6/30/16	\$10,818,003
Proportionate share of plan pension expense	\$1,485,880
Net amortization of deferred amounts from change in proportion	\$16,504
Total employer pension expense	\$1,502,384

The Commonwealth of Massachusetts contributes to the Massachusetts Teachers Retirement System (MTRS) on behalf of the Collaborative. The Commonwealth is a non-employer contributing entity and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Collaborative is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a non-employer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer. In accordance with government accounting standards, the Collaborative is required to record such "on behalf payments" as revenue and expenditures in the financial statements. Pension support provided by the Commonwealth "on behalf" of the Collaborative totaled \$2,049,082. This amount is included in the accompanying statement of activities as intergovernmental revenue and expense.

The following information was attributed to South Coast from allocation schedules prepared by The Commonwealth of Massachusetts Teachers' Retirement Board and audited by KPMG, LLP:

Proportionate share of the net pension liability at 6/30/16	\$20,087,752
Commonwealth pension support provided	\$1,010,395
Total employer pension expense and revenue for Commonwealth support	\$2,049,082

# **SOUTH COAST EDUCATIONAL COLLABORATIVE**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**(4) RETIREMENT BENEFIT PLAN (Continued)**

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

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

Employees of the Collaborative that are not covered under either the MSERS or the MTRS are covered under social security and contribute via payroll withholding taxes.

**(5) CUMULATIVE SURPLUS**

In accordance with Massachusetts regulation 603 C.M.R. 50.07, the Collaborative has determined that its Cumulative Surplus as of June 30, 2017 is equal to the Unassigned General Fund Balance of \$2,412,694. The Collaborative Agreement stipulates that the Board will retain no more than 25 percent of the previous year's general fund expenditures in cumulative surplus.

**(6) COMMITMENTS AND CONTINGENCIES**

*(a) Operating Leases*

The Collaborative leases classroom and administrative space from various member and non-member school districts and a local YMCA. Some of the arrangements are on a tenant-at-will basis and others are based on non-cancelable lease agreements with the district school committees ranging from 3 to 10 years. Included in the school district agreements are termination clauses providing for cancellation of the lease on the part of the school committee should the leased space become necessary for the school district's educational programs. The cancellation clauses include provisions for proper notice to the Collaborative. All lease agreements include annual renewal provisions.

Rent expense relating to all property leases totaled \$722,407 for fiscal year ending June 30, 2017. The Collaborative also leases several types of office equipment under operating leases that are rolled over to new leases and related new equipment at the end of each lease term. The amounts are not material to the financial statements are not included in the future rental payments below.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(6) COMMITMENTS AND CONTINGENCIES (Continued)

(a) *Operating Leases (continued)*

Minimum future rental payments for classroom operating leases for each of the next five years and in the aggregate are:

Year Ending June 30,	Amount
2018	\$ 526,270
2019	430,400
2020	391,195
2021	91,136
2022	102,528
Thereafter	<u>501,248</u>
	<u>\$2,042,777</u>

(b) *Employment Contract*

The Collaborative has an employment contract with a key employee which expires on June 30, 2019.

(7) ACCRUED SICK PAY BENEFITS

The Collaborative allows employees to accrue sick pay benefits from year to year. The maximum allowable accrued sick pay benefit is 140 days for eligible employees. In addition to illness, employees can use their accumulated sick time to receive a lump sum severance benefit, upon retirement or death. An employee who has worked 12 or more consecutive years for the Collaborative is eligible for the lump sum severance benefit. The benefit is equal to 35% of an employee's daily rate multiplied by the total sick days accumulated upon the day of retirement or death.

The maximum payment per employee is \$6,000 at June 30, 2017. As of June 30, 2017, the Collaborative had an estimated liability of \$371,864 relating to the lump sum benefit. This amount is included in accrued expenses in the Statement of Net Position.

(8) LINE OF CREDIT

The Collaborative has a \$1,000,000 line of credit. The obligation is secured by the Collaborative's accounts receivable and fixtures. The loan agreement contains certain restrictive covenants. Interest is payable at the National Prime Rate. The line of credit can be terminated at the discretion of the lender and expires on February 15, 2018. No balance was outstanding at June 30, 2017.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(9) DEBT

Debt consists of the following at June 30, 2017:

	Balance June 30, 2016	Amounts Borrowed	Principal Payments	Balance June 30, 2017	Current Portion
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$476.20. The note matures on January 14, 2019. The interest rate is 5.95%.	\$13,652	\$ -	\$ 5,037	\$ 8,615	\$ 5,346
Note payable secured by two vehicles, due in monthly installments of principal and interest of \$984.47. The note matures on November 20, 2018. The interest rate is 5.45%.	26,693	-	10,622	16,071	11,216
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$707.25. The note matures on October 14, 2021. The interest rate is 5.45%.	-	37,239	5,107	32,132	6,906
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$604.56. The note matures on January 8, 2022. The interest rate is 4.79%.	-	32,204	2,892	29,312	5,981
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$604.56. The note matures on January 8, 2022. The interest rate is 4.79%.	<u>-</u>	<u>32,204</u>	<u>2,892</u>	<u>29,312</u>	<u>5,981</u>
	<u>\$40,345</u>	<u>\$101,647</u>	<u>\$26,550</u>	<u>\$115,442</u>	<u>\$35,430</u>

The debt is scheduled to mature as follows:

Year Ending June 30:	Principal	Interest	Total
2018	\$ 35,430	\$ 5,095	\$ 40,525
2019	27,965	3,288	31,253
2020	20,862	2,135	22,997
2021	21,936	1,061	22,997
2022	<u>9,249</u>	<u>119</u>	<u>9,368</u>
	<u>\$115,442</u>	<u>\$11,698</u>	<u>\$127,140</u>

Interest expense for the fiscal year totaled \$4,598.

# **SOUTH COAST EDUCATIONAL COLLABORATIVE**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**(10) CONCENTRATIONS**

*(a) Cash and Cash Equivalents*

Massachusetts General Law, Chapter 44, Sections 54 and 55 places certain limitations on the nature of deposits and investments available to the Collaborative. The law authorizes investments in FDIC insured banks and national banks, subject to certain limitations. In addition, it authorizes investments in obligations of the U.S. Treasury, agencies, instrumentalities, certificates of deposit, repurchase agreements, money market accounts, and the State Treasurer's Investment Pool.

The Collaborative maintains its funds in a combination of federally insured banks and the Massachusetts Municipal Depository Trust, an investment fund offered by the State Treasurer's office to agencies, authorities, commissions, boards, cities and towns and other public units within the Commonwealth.

Amounts invested in the Massachusetts Municipal Depository Trust totaled \$300,727 as of June 30, 2017. According to published investment policies and restrictions, although uninsured, the Trust will invest in only high quality and primarily short-term investments.

The Collaborative follows deposit and investment policies that limit the Collaborative's allowable deposits and investments and address the specific types of risk to which the Collaborative is exposed. The Collaborative maintains cash in public funds interest-bearing bank deposit accounts, at a highly rated financial institution. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017, the Collaborative's cash balances in excess of FDIC limits totaled \$2,289,126. As a public funds account, deposits are collateralized by securities held by the financial institution.

*(b) Employees*

Approximately 92% of the Collaborative's employees are members of a collective bargaining union. The Collaborative's contract with the union was renegotiated during 2017 and will be in effect until 2020.

**(11) RETIREE HEALTH INSURANCE**

Effective July 1, 1999, the Collaborative adopted a policy to offer health benefits to eligible retirees. This policy is at the sole discretion of the Board of Directors and, therefore, encompasses no liability on the part of the Collaborative.

**(12) SUBSEQUENT EVENTS**

The Collaborative evaluated subsequent events through October 10, 2017, which is the date the financial statements were available to be issued.

## **SOUTH COAST EDUCATIONAL COLLABORATIVE**

REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017

## SOUTH COAST EDUCATIONAL COLLABORATIVE

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

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget – Positive (Negative)
REVENUES:				
Direct service and administrative	\$16,068,837	\$16,068,837	\$17,070,402	\$ 1,001,565
Interest income	-	-	2,505	2,505
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>16,068,837</u>	<u>16,068,837</u>	<u>17,072,907</u>	<u>1,004,070</u>
EXPENDITURES:				
Administrative expenses	2,143,647	2,143,647	1,709,876	433,771
Program expenses	<u>13,918,789</u>	<u>13,918,789</u>	<u>15,045,685</u>	<u>(1,126,896)</u>
Total expenditures for operations	<u>16,062,436</u>	<u>16,062,436</u>	<u>16,755,561</u>	<u>(693,125)</u>
Revenue over operating expenditures	6,401	6,401	317,346	310,945
Capital outlay	165,000	165,000	588,063	(423,063)
Debt service payments	<u>17,528</u>	<u>17,528</u>	<u>31,148</u>	<u>(13,620)</u>
Revenue under expenditures	<u>(176,127)</u>	<u>(176,127)</u>	<u>(301,865)</u>	<u>(125,738)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,908,970</u>	<u>2,908,970</u>	<u>2,908,970</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,732,843</u>	<u>\$ 2,732,843</u>	<u>\$ 2,607,105</u>	<u>\$ (125,738)</u>

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



## **SOUTH COAST EDUCATIONAL COLLABORATIVE**

SUPPLEMENTARY INFORMATION  
JUNE 30, 2017

# **SOUTH COAST EDUCATIONAL COLLABORATIVE**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

### **Transactions between the Collaborative and any related for-profit or non-profit organization:**

None

### **Transaction or contracts related to the purchase, sale, rental or lease of real property:**

Contracts for the lease of classroom space from member and non-member school districts at the following locations:

<b>School District</b>	<b>Lease Term</b>	<b>FY 2017 Expense</b>
Dighton/Rehoboth	Annual	\$ 80,000
Seekonk	7/1/10 – 6/30/20	295,447
Somerset	7/1/15 – 6/30/18	105,000
Bishop Connolly	7/1/16 – 6/30/19	60,000
YMCA Swansea	7/1/16 – 6/30/26	56,960
Freetown/Lakeville	Annual	40,000
Berkley	Annual	<u>85,000</u>
Total		<u><u>\$722,407</u></u>

### **The names, duties, and total compensation of the five most highly compensated employees:**

David Heimbecker	Executive Director	\$182,448
Carolyn McKearney	Senior Leadership Team Member, Administrative Leadership at the North Seekonk School, and Educational Consulting	\$114,485
Donna Cranshaw-Gabriel	Senior Leadership Team Member for Curriculum, Instruction, Special Education Programming, and Educational Consulting	\$112,739
Patricia Steele	Senior Leadership Team Member and Educational Consulting	\$110,527
Francis Gallishaw Jr.	Senior Leadership Team Member and Coordinator of Continuous Professional Learning	\$98,756

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

Administration and overhead \$1,893,294

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

None

### **The amounts expended on services for individual age 22 and older:**

None

# SOUTH COAST EDUCATIONAL COLLABORATIVE

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

### ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS

FOR THE YEAR ENDED JUNE 30, 2017

#### Cumulative Surplus Calculation FY17

Page(s) in  
financial  
statements

(A)	Voted Cumulative Surplus as of 6/30/16		2,714,559	(A)	
(B) 1	Amount of (A) used to support the FY17 Budget	(B)1	301,865		
2	Amount of (A) returned to member districts	(B)2	-		
		(B)1 + (B)2 = (B)	301,865	(B)	
(C)	Unexpended FY17 General Funds		-	(C)	p. 9
(D)	Cumulative Surplus as of 6/30/17	(A) - (B) + (C) = (D)	2,412,694	(D)	
(E)	FY17 Total General Fund Expenditures		16,755,561	(E)	p. 9
(F)	Cumulative Surplus Percentage	(D) ÷ (E)	14.40%	(F)	p. 17

**SOUTH COAST EDUCATIONAL COLLABORATIVE**

AUDITORS' REPORT PURSUANT TO GOVERNMENTAL  
AUDITING STANDARDS  
FOR THE YEAR ENDED JUNE 30, 2017



Business Advisors  
Certified Public Accountants

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

To the Board of Directors  
South Coast Educational Collaborative  
Swansea, 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 South Coast Educational Collaborative which comprise the statement of financial position as of June 30, 2017, and the related statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Coast Educational Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*PAVENTO, RATCLIFFE, RENZI & CO., LLC*

Franklin, Massachusetts  
October 10, 2017