

**SOUTH COAST EDUCATIONAL  
COLLABORATIVE**

BASIC FINANCIAL STATEMENTS  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2013

# SOUTH COAST EDUCATIONAL COLLABORATIVE

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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 government activities of South Coast Educational Collaborative as of and for the year ended June 30, 2013, 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 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 opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Coast Educational Collaborative as of June 30, 2013, and the respective changes in financial position, 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 – 5 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, 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.

*Pawnto, Ratcliff, Ryan + Co. LLC*

Franklin, Massachusetts  
September 23, 2013

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

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, 2013 and summarized comparative information for 2012. 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 (aged 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 clinical services from contracting municipalities. The Collaborative is governed by a six member Board of Directors consisting of one representative from each member district.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Collaborative's basic financial statements. These financial statements consist of three parts:

- Independent Auditors' Report
- Required Supplementary Information which includes the Management's Discussion and Analysis (this section)
- Basic financial statements

The basic financial statements include two kinds of statements that present different views of the Collaborative:

- The *government-wide financial statements*, including the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, provide both short-term and long-term information about the Collaborative's overall financial status.
- The remaining statements are *fund financial statements* that 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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

#### **Government-wide Statements**

The government-wide statements (Statement of Net Assets and Statement of Activities and Changes in Net Assets) report information about the Collaborative as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Collaborative's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Collaborative's net assets and how they have changed. Net assets – the difference between the Collaborative's assets and liabilities – is one way to measure the Collaborative's financial health or position. Over time, increases or decreases in the Collaborative's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. 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, 2013

### **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 Assets** is for the fiscal year 2013 with comparative information from fiscal year 2012. Net assets of \$2,507,786 are unrestricted and may be used to meet the Collaborative's ongoing obligations to its participants and creditors.

	June 30, 2013	June 30, 2012
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$4,580,904	\$4,278,541
Capital assets	<u>1,125,519</u>	<u>1,097,141</u>
Total assets	<u>\$5,706,423</u>	<u>\$5,375,682</u>
Current liabilities, i.e. accounts payable, accrued expenses, debt, and unearned income	\$2,080,518	\$2,108,799
Non-current liabilities	<u>1,904</u>	<u>9,270</u>
Total liabilities	<u>\$2,082,422</u>	<u>\$2,118,069</u>
Net assets:		
Invested in capital assets, net of related debt	\$1,116,215	\$1,080,871
Restricted	-	-
Unrestricted	<u>2,507,786</u>	<u>2,176,742</u>
Total net assets	<u>\$3,624,001</u>	<u>\$3,257,613</u>

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2013

As indicated in the following summarized **Statement of Activities and Changes in Net Assets**, net assets increased by \$366,388 during the current fiscal year. Revenues increased due to a combination of increased average enrollments and rate increases. Staffing increased to accommodate the increased enrollment, however, the student population mix resulting from the increase allowed for more favorable student/teacher ratios enabling the Collaborative to minimize cost increases relative to enrollment increases.

	Year ended June 30, 2013	Year ended June 30, 2012	% Change
Total operating revenues	\$16,693,391	\$15,000,263	+11.3%
Total operating expenses	<u>16,327,003</u>	<u>15,273,858</u>	+6.9%
Change in net assets	<u>\$ 366,388</u>	<u>\$ (273,595)</u>	

### GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2013 was based on the assumption that enrollments would not increase while related costs of service provision would continue to increase, i.e. pay rate increases due to contractual obligations and fringe benefit increases. The Collaborative budget revenue estimates were conservative in order to ensure there would be sufficient funds to cover a potential decrease in net assets. Actual revenues were over budget by \$1,483,273 due to enrollments that were higher than anticipated. Actual expenditures were over budget by \$886,806, primarily due to increased personnel costs incurred to accommodate increased enrollments.

### 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 ASSETS

JUNE 30, 2013

### ASSETS

	Governmental Activities
CURRENT ASSETS:	
Cash and cash equivalents	\$2,236,782
Accounts receivable	2,144,365
Prepaid expenses	<u>199,757</u>
Total current assets	<u>4,580,904</u>
CAPITAL ASSETS	
Total assets	<u>1,125,519</u>
	<u>\$5,706,423</u>
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$1,004,413
Current portion of long-term debt	7,400
Unearned revenue	<u>1,068,705</u>
Total current liabilities	<u>2,080,518</u>
LONG-TERM DEBT	
	<u>1,904</u>
	2,082,422
NET ASSETS:	
Investment in capital assets, net of related debt	1,116,215
Unrestricted	<u>2,507,786</u>
Total net assets	<u>3,624,001</u>
Total liabilities and net assets	<u>\$5,706,423</u>

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



# SOUTH COAST EDUCATIONAL COLLABORATIVE

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	Charges for Expenses	Program Revenue Charges for Services	Total
<b>Governmental Activities:</b>			
Student services	\$13,973,842	\$16,280,999	\$2,307,157
General and administrative	1,862,566	-	(1,862,566)
Depreciation	82,625	-	(82,625)
Intergovernmental revenue	<u>407,970</u>	<u>407,970</u>	<u>-</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$16,327,003</u></b>	<b><u>\$16,688,969</u></b>	<b>361,966</b>
<b>General revenue:</b>			
Interest			4,422
Other			<u>-</u>
Increase in net assets			<u>366,388</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>			<b><u>3,257,613</u></b>
<b>NET ASSETS, END OF YEAR</b>			<b><u>\$3,624,001</u></b>

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

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2013

### ASSETS:

Cash and cash equivalents	\$2,236,782
Accounts receivable	2,144,365
Prepaid expenses	<u>199,757</u>
Total assets	<u>\$4,580,904</u>

### LIABILITIES:

Accounts payable and accrued expenses	\$ 802,226
Unearned revenue	<u>1,068,705</u>
Total liabilities	<u>1,870,931</u>

### FUND BALANCES:

Unrestricted	<u>2,709,973</u>
Total liabilities and fund balance	<u>\$4,580,904</u>

*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, 2013

REVENUES:	
Direct service and administrative	\$16,280,999
Intergovernmental revenue	407,970
Interest income	<u>4,422</u>
Total revenues	<u>16,693,391</u>
EXPENDITURES:	
Administrative expenses	1,806,335
Intergovernmental expense	407,970
Program expenses	13,973,842
Capital outlay	111,002
Debt Services:	
Debt principal	6,966
Debt interest	<u>774</u>
Total expenditures	<u>16,306,889</u>
Revenue over (under) expenditures	<u>386,502</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,323,471</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,709,973</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 ASSETS

JUNE 30, 2013

Total fund balance, governmental funds	\$2,709,973
Amounts reported for governmental activities in the Statement of Net Assets 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 Assets.	1,125,519
Certain liabilities are not typically due and payable in the current period and, therefore, are not reported in the governmental funds.	
Notes payable	(9,304)
Compensated absences	<u>(202,187)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 3,624,001</u>

*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 AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2013

Net changes in balances -governmental funds	\$386,502
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

This is the amount by which capital outlays exceeded depreciation in the current period.	28,377
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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.	6,966
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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>(55,457)</u>
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\$366,388

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

## 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, 2013

	Budgeted Amounts	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
Direct service and administrative	\$14,797,726	\$16,280,999	\$ 1,483,273
Interest income	<u>          -</u>	<u>          4,422</u>	<u>          4,422</u>
Total revenues	<u>14,797,726</u>	<u>16,285,421</u>	<u>1,487,695</u>
<b>EXPENDITURES:</b>			
Administrative expenses	2,140,537	1,806,335	334,202
Program expenses	12,871,576	13,973,842	(1,102,266)
Capital outlay	-	111,002	(111,002)
Debt service payments	<u>          -</u>	<u>          7,740</u>	<u>          (7,740)</u>
Total expenditures	<u>15,012,113</u>	<u>15,898,919</u>	<u>(886,806)</u>
Revenue over (under) expenditures	<u>(214,387)</u>	<u>          386,502</u>	<u>          600,889</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,323,471</u>	<u>2,323,471</u>	<u>          -</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,109,084</u>	<u>\$ 2,709,973</u>	<u>\$ 600,889</u>

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

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(1) NATURE OF ORGANIZATION

South Coast Educational 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. Provision of services is confined to public school systems in the Southeastern Massachusetts and Rhode Island regions.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

**The government-wide financial statements** report information on all activities of the Collaborative and report information regarding its financial position and activities according to classes of net assets: investments in capital assets, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Under these provisions, net assets and revenues, expenses, gains and losses, other than those invested in capital assets, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Collaborative and changes therein may be classified and reported as follows:

Invested in capital assets – Capital assets, reported net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Collaborative and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Collaborative.

**Fund financial statements** present governmental funds on a measurement basis focusing on sources, uses and balance of current financial resources. The general fund is the Collaborative's primary operating fund. It accounts for all financial resources of the Collaborative pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. The Collaborative has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) *Contributions*

The Collaborative recognizes all contributed support as revenue when it is received or unconditionally pledged. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(c) *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Collaborative considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

(d) *Accounts Receivable*

Trade accounts receivable consist of amounts due from municipalities for program services. As such, no allowance for doubtful accounts is deemed necessary.

(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) *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.

(g) *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, 2013 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.



# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(h) 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.

(3) CAPITAL ASSETS

Depreciation is computed on the straight-line basis using estimated useful lives as follows:

Computers	3 years
Office Equipment	5 years
Vehicles	5 years
Office Furniture	7 years
Leasehold Improvements	Useful life or life of lease, whichever is less
Building Improvements	20 years
Building	40 years

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(3) CAPITAL ASSETS (continued)

Changes in capital assets during fiscal year 2013 is as follows:

	Balance June 30, 2012	Additions	Balance June 30, 2013
<b>Capital assets:</b>			
Land	\$ 437,400	\$67,575	\$ 504,975
Building & improvements	1,093,023	18,198	1,111,221
Leasehold improvements	473,365	25,229	498,594
Vans	34,719	-	34,719
<b>Total capital assets</b>	<u>2,038,507</u>	<u>111,002</u>	<u>2,149,509</u>
<b>Less accumulated depreciation:</b>			
Land	-	-	-
Building & improvements	497,050	62,270	559,320
Leasehold improvements	439,292	15,332	454,624
Vans	5,023	5,023	10,046
<b>Total accumulated depreciation</b>	<u>941,365</u>	<u>82,625</u>	<u>1,023,990</u>
<b>Capital assets, net</b>	<u>\$1,097,142</u>	<u>\$28,377</u>	<u>\$1,125,519</u>

Depreciation and amortization expense for the year ended June 30, 2013 was \$82,625.

(4) RETIREMENT BENEFIT PLAN

Most employees of the Collaborative are covered by either the Massachusetts Teachers' Retirement System (MTRS) or the Commonwealth of Massachusetts Employee's Retirement System (CMERS) depending on their employment position. The Commonwealth of Massachusetts made additional contributions to the Massachusetts Teachers Retirement Board on behalf of retired Collaborative employees of \$407,970 for fiscal year ending June 30, 2013.

Massachusetts Teachers' Retirement System (MTRS) -  
MTRS is a cost sharing public teachers retirement system covering all persons employed in certified positions on at least a half-time basis. The Commonwealth is required to make actuarially determined contributions that maintain the financial integrity of the retirement system. Participants are required to contribute amounts ranging from 5% to 11% of their salary depending on plan entry date. Benefits vest after 10 years of qualified employment. Participants may receive retirement benefits at any age after 20 years of service, or at age 55 or over after 10 years of service.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(4) RETIREMENT BENEFIT PLAN (Continued)

Commonwealth of Massachusetts Employees' Retirement System (CMERS) - CMERS is a cost sharing public employees retirement system covering all persons employed in public positions (other than those participating in the MTRS above) on a full-time (37 ½ hours per week) basis. Participants are required to contribute amounts ranging from 5% to 11% of their gross earnings depending on plan entry date. The Collaborative is required to contribute 5.6% of eligible employee gross earnings. Benefits vest after 10 years of employment. Participants may receive retirement benefits at any age after 20 years of service, or at age 55 or over after 10 years of service. Contributions by the Collaborative to the retirement system for the year ended June 30, 2013 totaled \$257,962.

(5) COMMITMENTS AND CONTINGENCIES

(a) *Operating Leases*

The Collaborative leases classroom and administrative space from various member and non-member school districts. 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 these 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 \$598,455 for fiscal year ending June 30, 2013.

The Collaborative also leases vehicles and office equipment under operating leases. Several of the vehicles under lease agreement were purchased during fiscal year 2010 through financing agreements with terms of 36 months and interest rates ranging from 5.71% to 6.31%. For consistency, the Collaborative continues to account for these lease-purchases as lease payments. The annual obligation is included in the minimum future rental payment schedule below.

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

Year Ending June 30,	Amount
2014	\$ 420,599
2015	265,801
2016	250,574
2017	258,091
2018	265,834
Thereafter	555,832
	<u>\$2,016,731</u>

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(5) COMMITMENTS AND CONTINGENCIES (Continued)

(b) *Employment Contract*

The Collaborative has an employment contract with a key employee, which expires on June 30, 2016.

(6) 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 130 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 \$5,500 at June 30, 2013. As of June 30, 2013, the Collaborative had an estimated liability of \$202,187 relating to the lump sum benefit. This amount is included in accrued expenses in the Statement of Net Assets.

(7) LINE OF CREDIT

The Collaborative has a \$500,000 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 Bank's Prime Rate plus .75 percentage points. The line of credit can be terminated at the discretion of the lender. No balance was outstanding at June 30, 2013.

(8) DEBT

Debt consists of a note payable secured by a van, due in monthly installments of principle and interest of \$644.95. The note matures on September 21, 2014. The interest rate is 5.9%. The debt is scheduled to mature as follows:

Year Ending June 30:

2014	\$7,400
2015	<u>1,904</u>
	<u>\$9,304</u>

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(9) CONCENTRATIONS

*(a) Cash and Cash Equivalents*

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 \$9,306 as of June 30, 2013. According to published investment policies and restrictions, although uninsured, the Trust will invest in only high quality and primarily short-term investments.

The Collaborative maintains some cash in 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, 2013, the Collaborative's uninsured cash balances totaled \$2,330,602.

*(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 2011 and will be in place until 2014.

(10) 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.

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

(11) RELATED PARTY ACTIVITY

During fiscal year 2012, a relative of a board member was hired by the Collaborative. The board member recused himself from the vote.

The staff member worked at the Collaborative during fiscal year 2013 as well.

(12) SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through September 23, 2013, which is the date the financial statements were available to be issued.

**SOUTH COAST EDUCATIONAL COLLABORATIVE**

SUPPLEMENTARY INFORMATION  
JUNE 30, 2013



**Business Advisors  
Certified Public Accountants**

INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of South Coast Educational Collaborative as of and for the year ended June 30, 2013, and have issued our report thereon dated September 23, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the Schedules of Disclosures Required by Chapter 43 of the Acts of 2012 of the Massachusetts General Laws is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Franklin, Massachusetts  
September 23, 2013

*Pavento, Ratcliffe, Renzi & Co. LLC*



# 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, 2013

**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:

School District	Lease Term	FY 2013 Expense
Dighton/Rehoboth	Annual	\$ 80,000
Seekonk	7/1/2010 – 6/30/2020	247,785
Somerset	Annual	135,150
Somerset Berkley	7/1/2011 – 6/30/2014	40,000
Swansea	Annual	<u>95,520</u>
<b>Total</b>		<b><u>\$598,455</u></b>

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

David Heimbecker	Executive Director	\$153,210
Michael Novick	Senior Leadership Team Member for Transition, Operational Services, and Educational Consultation	\$110,646
Donna Cranshaw-Gabriel	Senior Leadership Team Member for Curriculum, Instruction, Special Education Programming, and Internal and External PBIS Consultation	\$105,184
Patricia Steele	Senior Leadership Team Member for Instructional Technology , CPI Training, DESE Compliance, and Educational Consultation	\$105,184
Carolyn McKearney	Senior Leadership Team Member for Supervision and Direction at the North Seekonk School, Educational Consultation, and CPI Training	\$89,639

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

Administration and overhead \$1,907,823

**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**

AUDITORS' REPORT PURSUANT TO GOVERNMENTAL

AUDITING STANDARDS

FOR THE YEAR ENDED JUNE 30, 2013



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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise South Coast Educational Collaborative's basic financial statements, and have issued our report thereon dated September 23, 2013.

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

**Purpose of this Report**

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

*Pavento, Ratcliffe, Renzi & Co. PLLC*

Franklin, Massachusetts  
September 23, 2013