

**SOUTH COAST EDUCATIONAL
COLLABORATIVE**

BASIC FINANCIAL STATEMENTS

AND

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2018

SOUTH COAST EDUCATIONAL COLLABORATIVE

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JUNE 30, 2018

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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 governmental activities of South Coast Educational Collaborative as of and for the year ended June 30, 2018, 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, 2018, 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, the budgetary comparison information on page 25; schedule of the Collaborative's proportionate share of the net pension liability; and schedule of pension contributions 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 29-30 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 September 21, 2018, 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.

Pavento, Ratchffe, Renzi + Co., LLC

Franklin, Massachusetts
September 21, 2018

SOUTH COAST EDUCATIONAL COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2018

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, 2018 and summarized comparative information for 2017. 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, 2018

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 2018 with comparative information from fiscal year 2017.

	June 30, 2018	June 30, 2017
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$3,110,479	\$4,496,323
Capital assets	<u>2,753,292</u>	<u>1,903,952</u>
Total assets	<u>\$5,863,771</u>	<u>\$6,400,275</u>
Current liabilities, i.e. accounts payable, accrued expenses, debt, and unearned income	\$1,382,487	\$2,296,512
Non-current liabilities	<u>104,368</u>	<u>80,012</u>
Total liabilities	<u>\$1,486,855</u>	<u>\$2,376,524</u>
Net position:		
Invested in capital assets, net of related debt	\$2,605,711	\$1,788,510
Restricted	-	-
Unrestricted	<u>1,771,205</u>	<u>2,235,241</u>
Total net position	<u>\$4,376,916</u>	<u>\$4,023,751</u>

SOUTH COAST EDUCATIONAL COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2018

As indicated in the following summarized **Statement of Activities and Changes in Net Position**, net position increased by \$353,165 during the current fiscal year. Revenues increased due to a large increase in students, primarily from non-member districts. On average, an additional 26 students more than the number budgeted were enrolled during FY18. 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 2018 continued to include the rent and renovation expense of the YMCA in Swansea. The YMCA program was operational during FY18, but the building did not open until half way through the year. The students began the year at a different facility. Rent expense for the YMCA was accounted for in Administrative Expenses during FY18. Intergovernmental revenue and expense ("on behalf" pension payments made by the Commonwealth of Massachusetts) decreased by \$225,881. 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, 2018	Year ended June 30, 2017	% Change
Revenues:			
Charges for student services	\$18,740,330	\$17,070,402	+9.8%
Intergovernmental revenue	3,236,181	3,462,062	
Grants and contributions	-	-	
Interest income	<u>5,111</u>	<u>2,505</u>	
Total revenues	<u>21,981,622</u>	<u>20,534,969</u>	
Expenses:			
Student services	16,339,782	15,045,685	+8.6%
General and administrative	1,817,474	1,749,788	+3.9%
Depreciation	235,020	143,506	
Intergovernmental expense	<u>3,236,181</u>	<u>3,462,062</u>	
Total expenses	<u>21,628,457</u>	<u>20,401,041</u>	
Change in net position	353,165	133,928	
Net position – beginning	<u>4,023,751</u>	<u>3,889,823</u>	
Net position – ending	<u>\$ 4,376,916</u>	<u>\$ 4,023,751</u>	

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2018 was based on the assumption that revenue from charges for student services would increase by approximately four 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 \$634,835 due to staffing additions to adjust to the student enrollment numbers and due to the 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, 2018

	Governmental Activities
CURRENT ASSETS:	
Cash and cash equivalents	\$1,564,049
Accounts receivable	1,241,758
Prepaid expenses	<u>304,672</u>
Total current assets	<u>3,110,479</u>
DEPRECIABLE CAPITAL ASSETS, net of accumulated depreciation	2,248,317
LAND	<u>504,975</u>
Total capital assets	<u>2,753,292</u>
Total assets	<u><u>\$5,863,771</u></u>
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$1,339,274
Current portion of long-term debt	43,213
Unearned revenue	<u>-</u>
Total current liabilities	<u>1,382,487</u>
LONG-TERM DEBT	<u>104,368</u>
	1,486,855
NET POSITION:	
Investment in capital assets, net of related debt	2,605,711
Unrestricted	<u>1,771,205</u>
Total net position	<u>4,376,916</u>
Total liabilities and net position	<u><u>\$5,863,771</u></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, 2018

FUNCTIONS/PROGRAMS	Charges for Expenses	Program Revenue Charges for Services	Total
Governmental Activities:			
Student services	\$16,339,782	\$18,740,330	\$ 2,400,548
General and administrative	1,817,474	-	(1,817,474)
Depreciation	235,020	-	(235,020)
Intergovernmental revenue	<u>3,236,181</u>	<u>3,236,181</u>	<u>-</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$21,628,457</u>	 <u>\$21,976,511</u>	 <u>348,054</u>
 General revenue:			
Interest			5,111
Other			<u>-</u>
Change in Net Position			<u>353,165</u>
NET POSITION, BEGINNING OF YEAR			<u>4,023,751</u>
NET POSITION, END OF YEAR			<u>\$ 4,376,916</u>

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2018

ASSETS:	
Cash and cash equivalents	\$1,564,049
Accounts receivable	1,241,758
Prepaid expenses	<u>304,672</u>
Total assets	<u>\$3,110,479</u>
LIABILITIES:	
Accounts payable and accrued expenses	\$ 966,959
Unearned revenue	<u>-</u>
Total liabilities	<u>966,959</u>
FUND BALANCES:	
Nonspendable	304,672
Cumulative surplus (Unassigned)	<u>1,838,848</u>
Total fund balances	<u>2,143,520</u>
Total liabilities and fund balance	<u>\$3,110,479</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, 2018

REVENUES:	
Direct service and administrative	\$18,740,330
Intergovernmental revenue	3,236,181
Interest income	<u>5,111</u>
Total revenues	<u>21,981,622</u>
EXPENDITURES:	
Administrative expenses	1,808,535
Intergovernmental expense	3,236,181
Program expenses	16,339,782
Capital outlay, net of debt incurred	1,003,279
Debt Services:	
Debt principal	48,942
Debt interest	<u>8,488</u>
Total expenditures	<u>22,445,207</u>
Revenue over (under) expenditures	<u>(463,585)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,607,105</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,143,520</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, 2018

Total fund balance, governmental funds	\$2,143,520
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.	2,753,292
Certain liabilities are not typically due and payable in the current period and, therefore, are not reported in the governmental funds.	
Notes payable	(147,581)
Compensated absences	<u>(372,315)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$4,376,916</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

FOR THE YEAR ENDED JUNE 30, 2018

Net changes in balances - governmental funds	\$(463,585)
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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.	849,340
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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.	48,942
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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.	(81,081)
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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>(451)</u>
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Changes in Net Position of Governmental Activities in the Statement of Activities	<u>\$ 353,165</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, 2018

(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, 2018

(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, 2018. 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, 2018

(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, 2018 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, 2018

(3) CAPITAL ASSETS

Capital asset activity for fiscal year 2018 is as follows:

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets:				
Land	\$ 504,975	\$ -	\$ -	\$ 504,975
Building & improvements	1,519,472	-	-	1,519,472
Leasehold improvements	1,033,469	1,003,279	-	2,036,748
Vehicles	<u>268,868</u>	<u>81,081</u>	-	<u>349,949</u>
Total capital assets	3,326,784	1,084,360	-	4,411,144
Less accumulated depreciation:				
Land	-	-	-	-
Building & improvements	817,230	97,629	-	914,859
Leasehold improvements	517,498	92,314	-	609,812
Vehicles	<u>88,104</u>	<u>45,077</u>	-	<u>133,181</u>
Total accumulated depreciation	<u>1,422,832</u>	<u>235,020</u>	-	<u>1,657,852</u>
Capital assets, net	<u>\$1,903,952</u>	<u>\$ 849,340</u>	<u>\$ -</u>	<u>\$2,753,292</u>

Depreciation and amortization expense totaled \$235,020 and was not allocated to governmental functions. It appears unallocated on the statement of activities.

(4) RETIREMENT BENEFIT PLAN

The Collaborative sponsors two retirement plans for its employees.

Massachusetts State Employees' Retirement System

Plan Description and Provisions

Non-teacher personnel participate in the Massachusetts State Employees' Retirement System (MSERS), a cost sharing multiple-employer defined benefit plan established under the Massachusetts Contributory Retirement Law. Benefit provisions and contribution requirements are established by state law. MSERS provides retirement benefits up to a maximum of 80% of a member's highest three-year average annual compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any consecutive five years, whichever is greater, in terms of compensation. Benefit payments are based upon member's age, length of creditable services, level of compensation, and group classification.

Members of the system become fully vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The Plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years creditable service, (2) was on the Collaborative payroll after January 1, 1978, (3) voluntarily left Collaborative employment on or after that date, and (4) left accumulated annuity deductions in the Fund. MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(4) RETIREMENT BENEFIT PLAN (continued)

Contributions

Plan members are required to contribute to the MSERS at rates ranging from 5% to 11% of their annual covered compensation, on a pre-tax basis. The Collaborative is required to contribute at an actuarially determined rate that is apportioned among employees based on active current payroll. The contribution requirements of plan members are established and may be amended by the MSERS Board of Trustees. The Collaborative's contribution rate at June 30, 2018 and 2017 is 6.1% and 5.6%, respectively.

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Annual Pension Cost

The Collaborative's required and actual contributions to MSERS were \$216,401. Pension expense to the Commonwealth of Massachusetts for the Collaborative amounted to \$1,331,414. Therefore, \$1,115,013 is reflected as intergovernmental revenues and corresponding expenditures in the Collaborative's financial statements for the portion of the Commonwealth's pension expense not required to be paid by the Collaborative. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e. the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives. The Commonwealth as a non-employer is legally responsible for the entire past service cost related to the Collaboratives.

Massachusetts Teachers' Retirement System

Plan Description and Provisions

Teachers and certain administrative personnel participate in the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan administered by the Massachusetts Teachers' Retirement Board. Benefit provisions and contribution requirements are established by state law. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Additional information can be obtained on the state website.

Contributions

Participation in the plan requires that members contribute a fixed percentage of their compensation each pay period depending upon the date of employment. Employee contributions vest immediately. After 20 years, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest-salaried years of the employee service and are determined in a manner similar to the provisions of MSERS.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(4) RETIREMENT BENEFIT PLAN (continued)

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The Collaborative has no obligation to contribute to the MTRS. All pension benefits and expenses paid by the Teachers' Retirement Board to employees of the Collaborative are funded by the Commonwealth of Massachusetts. Pension expense to the Commonwealth of Massachusetts for the Collaborative was \$2,121,168 for fiscal 2018, and this amount is reflected as intergovernmental revenues and corresponding expenditures in the Collaborative's financial statements.

Pension Liabilities and Pension Expense

The Collaborative is considered to be a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth of Massachusetts is a non-employer contributing entity for MTRS and MSERS. Therefore, the Collaborative is required to disclose, but not record, the portion of the non-employer contributing entities' share of the collective net pension liability that is associated with the employer. The Collaborative's proportionate share of the net pension liability was \$20,322,971 for MTRS and \$10,289,691 for MSERS. For both MTRS and MSERS, the net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liabilities were determined by actuarial valuations as of January 1, 2017 rolled forward to June 30, 2017. The Collaborative's proportion of the net pension liability was based on a projection of the Collaborative's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the Collaborative's proportion was .08% for MSERS and .089% for MTRS. As a special funding situation, the Collaborative must recognize its portion of the collective pension expense as both a revenue and pension expense. As indicated above, for the year ended June 30, 2018, the Collaborative recognized intergovernmental pension expense and revenue of \$1,115,013 (MSERS) and \$2,121,168 (MTRS).

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuations for MSERS and MTRS were determined using the following actuarial assumptions, applied to all periods included in the measurement:

1. (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% (MSERS) and 4.0% to 7.5% (MTRS) depending on group and length of service.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(4) RETIREMENT BENEFIT PLAN (continued)

3. Mortality rates were as follows:

MSERS:

- Pre-retirement – reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females
- Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability – the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

MTRS:

- Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct)
- Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct)
- Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years

Investment assets of MSERS and MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	40%	5.0%
Portfolio Completion Strategies	13	3.6
Core Fixed Income	12	1.1
Private Equity	11	6.6
Value Added Fixed Income	10	3.8
Real Estate	10	3.6
Timber/Natural Resources	4	3.2
Hedge Funds	0	3.6
Total	<u>100%</u>	

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(4) RETIREMENT BENEFIT PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Collaborative's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Collaborative's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Collaborative's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

<u>Collaborative's Proportionate Share of Net Pension Liability</u>	<u>1 % Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
MTRS	\$25,241,702	\$20,322,971	\$16,156,330
MSERS	\$14,014,131	\$10,289,691	\$7,289,566

Pension Plan Fiduciary Net Position

The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 54.25% for MTRS and 67.21% for MSERS.

(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, 2018 is equal to the Unassigned General Fund Balance of \$1,949,109. 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.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(6) COMMITMENTS AND CONTINGENCIES (continued)

(a) *Operating Leases (continued)*

Rent expense relating to all property leases totaled \$787,179 for fiscal year ending June 30, 2018. 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.

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
2019	\$ 561,486
2020	497,463
2021	91,136
2022	102,528
2023	125,312
Thereafter	<u>375,936</u>
	<u>\$1,753,861</u>

(b) *Employment Contract*

The Collaborative has an employment contract with a key employee which expires on June 30, 2022.

(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 40% 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, 2018. As of June 30, 2018, the Collaborative had an estimated liability of \$372,315 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, 2019. No balance was outstanding at June 30, 2018.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(9) DEBT

Debt consists of the following at June 30, 2018:

	Balance June 30, 2017	Amounts Borrowed	Principal Payments	Balance June 30, 2018	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%.	\$ 8,615	\$ -	\$ 5,346	\$ 3,269	\$ 3,269
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%.	16,071	-	11,215	4,856	4,856
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%.	32,132	-	6,907	25,225	7,293
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%.	29,312	-	5,980	23,332	6,274
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%.	29,312	-	5,980	23,332	6,274
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$947.45. The note matures on July 30, 2022. The interest rate is 5.45%.	-	49,887	8,349	41,538	9,337
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$589.58. The note matures on August 11, 2022. The interest rate is 4.99%.	<u>-</u>	<u>31,194</u>	<u>5,165</u>	<u>26,029</u>	<u>5,910</u>
	<u>\$115,442</u>	<u>\$81,081</u>	<u>\$48,942</u>	<u>\$147,581</u>	<u>\$43,213</u>

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(9) DEBT (continued)

The debt is scheduled to mature as follows:

Year Ending June 30:	Principal	Interest	Total
2019	\$ 43,213	\$ 6,486	\$ 49,699
2020	36,932	4,509	41,441
2021	38,870	2,571	41,441
2022	27,040	772	27,812
2023	<u>1,526</u>	<u>12</u>	<u>1,538</u>
	<u>\$147,581</u>	<u>\$14,350</u>	<u>\$161,931</u>

Interest expense for the fiscal year totaled \$8,488.

(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 \$304,488 as of June 30, 2018. 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, 2018, the Collaborative's cash balances in excess of FDIC limits totaled \$1,206,395. 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.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(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 September 21, 2018, which is the date the financial statements were available to be issued.

SOUTH COAST EDUCATIONAL COLLABORATIVE

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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, 2018

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget – Positive (Negative)
REVENUES:				
Direct service and administrative	\$17,515,986	\$17,515,986	\$18,740,330	\$ 1,224,344
Interest income	-	-	5,111	5,111
Other income	-	-	-	-
Total revenues	<u>17,515,986</u>	<u>17,515,986</u>	<u>18,745,441</u>	<u>1,229,455</u>
EXPENDITURES:				
Administrative expenses	2,192,186	2,192,186	1,808,535	383,651
Program expenses	<u>15,321,296</u>	<u>15,321,296</u>	<u>16,339,782</u>	<u>(1,018,486)</u>
Total expenditures for operations	<u>17,513,482</u>	<u>17,513,482</u>	<u>18,148,317</u>	<u>(634,835)</u>
Revenue over operating expenditures	2,504	2,504	597,124	594,620
Capital outlay	750,000	750,000	1,003,279	(253,279)
Debt service payments	<u>40,525</u>	<u>40,525</u>	<u>57,430</u>	<u>(16,905)</u>
Revenue under expenditures	<u>(788,021)</u>	<u>(788,021)</u>	<u>(463,585)</u>	<u>324,436</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,607,105</u>	<u>2,607,105</u>	<u>2,607,105</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 1,819,084</u>	<u>\$ 1,819,084</u>	<u>\$ 2,143,520</u>	<u>\$ 324,436</u>

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

SCHEDULE OF THE COLLABORATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JUNE 30, 2018

Measurement Date	June 30, 2017		June 30, 2016		June 30, 2015		June 30, 2014	
	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS
Collaborative's proportion of the net pension liability	.0888%	.0802%	.0898%	.0785%	.0931%	.0778%	.0890%	.0847%
Collaborative's proportionate share of the net pension liability	\$20,322,971	\$10,289,691	\$20,087,752	\$10,818,003	\$19,080,579	\$8,857,025	\$14,139,839	\$6,288,169
Collaborative's covered-employee payroll	\$ 6,069,530	\$ 3,864,304	\$ 6,259,722	\$ 4,369,857	\$ 5,958,793	\$ 4,225,714	\$ 5,329,572	\$ 4,487,071
Collaborative's proportionate share of the net pension liability as a percentage of its covered-employee payroll	334.84%	266.28%	320.90%	247.56%	320.21%	209.60%	265.31%	140.14%
Plan fiduciary net position as a percentage of the total pension liability	54.25%	67.21%	52.73%	63.48%	55.38%	67.87%	61.64%	76.32%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2017, 2016, 2015 and 2014.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

SOUTH COAST EDUCATIONAL COLLABORATIVE

SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2018

Measurement Date	June 30, 2017		June 30, 2016		June 30, 2015		June 30, 2014	
	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS
Contractually required contribution	\$ -	\$ 216,401	\$ -	\$ 244,712	\$ -	\$ 236,640	\$ -	\$ 251,276
Contributions in relation to the contractually required contribution	\$ -	\$ 216,401	\$ -	\$ 244,712	\$ -	\$ 236,640	\$ -	\$ 251,276
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$6,069,530	\$3,864,304	\$6,259,722	\$4,369,857	\$5,958,793	\$4,225,714	\$5,329,572	\$4,487,071
Contributions as a percentage of covered-employee payroll	0%	5.6%	0%	5.6%	0%	5.6%	0%	5.6%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System
 MSERS is the Massachusetts State Employees' Retirement System

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2017, 2016, 2015 and 2014.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Contributions

The Collaborative is required to pay an annual appropriation as established by the Public Employees' Retirement Administration Commission (PERAC) for MSERS. No contribution is required for MTRS. The Commonwealth of Massachusetts as a non-employer is legally responsible for the entire past service cost related to the Collaborative and therefore has a 100% special funding situation.

SOUTH COAST EDUCATIONAL COLLABORATIVE

SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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, 2018

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 2018 Expense
Dighton/Rehoboth	Annual	\$ 60,000
Seekonk	7/1/10 – 6/30/20	310,219
Somerset	7/1/15 – 6/30/18	105,000
Bishop Connolly	7/1/16 – 6/30/19	100,000
YMCA Swansea	7/1/16 – 6/30/26	56,960
Freetown/Lakeville	Annual	70,000
Berkley	Annual	<u>85,000</u>
Total		<u>\$787,179</u>

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

David Heimbecker	Executive Director	\$187,009
Carolyn McKearney	Senior Leadership Team Member, Administrative Leadership at the North Seekonk School, and Educational Consulting	\$116,774
Donna Cranshaw-Gabriel	Senior Leadership Team Member for Curriculum, Instruction, Special Education Programming, and Educational Consulting	\$114,994
Patricia Steele	Senior Leadership Team Member and Educational Consulting	\$112,738
Francis Gallishaw Jr.	Senior Leadership Team Member and Coordinator of Continuous Professional Learning	\$103,000

The amounts expended on administration and overhead:

Administration and overhead \$2,052,494

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
FY18**

**Page(s) in
financial
statements**

(A) Voted Cumulative Surplus as of 6/30/17		2,412,694	(A)	
(B) 1 Amount of (A) used to support the FY18 Budget	(B)1	463,585		
2 Amount of (A) returned to member districts	(B)2	-		
	(B)1 + (B)2 = (B)	463,585	(B)	
(C) Unexpended FY18 General Funds		-	(C)	p. 9
(D) Cumulative Surplus as of 6/30/18	(A) - (B) + (C) = (D)	1,949,109	(D)	
(E) FY18 Total General Fund Expenditures		18,148,317	(E)	p. 9
(F) Cumulative Surplus Percentage	(D) ÷ (E)	10.74%	(F)	p. 17

SOUTH COAST EDUCATIONAL COLLABORATIVE

AUDITORS' REPORT PURSUANT TO GOVERNMENTAL
AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2018



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, 2018, 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 September 21, 2018.

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
September 21, 2018