

**SOUTH COAST EDUCATIONAL
COLLABORATIVE**

BASIC FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2019

SOUTH COAST EDUCATIONAL COLLABORATIVE

TABLE OF CONTENTS

JUNE 30, 2019

	Page No.
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet – Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	11
Statement of Fiduciary Net Position – OPEB Trust	12
Statement of Changes in Fiduciary Net Position – OPEB Trust	13
Notes to Financial Statements	14 - 32
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund – Budget and Actual – Budgetary Basis (Unaudited)	34
Schedule of Changes in the Collaborative's Net OPEB Liability (Unaudited)	35
Schedule of the Collaborative's Proportionate Share of the Net Pension Liability (Unaudited)	36
Schedule of Pension Contributions (Unaudited)	37
SUPPLEMENTARY INFORMATION	
Information Required by MGL Chapter 43	39-40
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	42



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, and each major fund, of South Coast Educational Collaborative as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the government activities of South Coast Educational Collaborative as of June 30, 2019, 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 34; 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 39-40 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 18, 2019, 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 solely 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 the effectiveness of the Collaborative's 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, Ratchliffe, Renzi & Co, LLC

Franklin, Massachusetts
September 18, 2019

SOUTH COAST EDUCATIONAL COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2019

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, 2019 and summarized comparative information for 2018. 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.
 - **Governmental funds statements** tell how basic services were financed in the short-term as well as what remains for future spending.
 - **Fiduciary funds statements** provide information about the financial relationships in which the Collaborative acts solely as a trustee or agent for the benefit of others to whom the resources belong.
- **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.

SOUTH COAST EDUCATIONAL COLLABORATIVE
MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2019

- 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.

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 governmental funds and a fiduciary fund.

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.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Collaborative's own programs. Fiduciary fund statements (OPEB Health Insurance Trust) are presented after the **Governmental funds** statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summarized **Statement of Net Position** is for the fiscal year 2019 with comparative information from fiscal year 2018.

	June 30, 2019	June 30, 2018
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$ 4,252,274	\$3,110,479
Capital assets	<u>2,775,710</u>	<u>2,753,292</u>
Total assets	<u>\$ 7,027,984</u>	<u>\$5,863,771</u>
Current liabilities, i.e. accounts payable, accrued expenses, debt, and unearned income	\$ 1,748,298	\$1,382,487
Non-current liabilities	<u>8,751,142</u>	<u>104,368</u>
Total liabilities	<u>\$10,499,440</u>	<u>\$1,486,855</u>
Net position:		
Invested in capital assets, net of related debt	\$ 2,443,648	\$2,605,711
Restricted	-	-
Unrestricted	<u>(5,915,104)</u>	<u>1,771,205</u>
Total net position	<u>\$(3,471,456)</u>	<u>\$4,376,916</u>

SOUTH COAST EDUCATIONAL COLLABORATIVE

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2019

As indicated in the following summarized **Statement of Activities and Changes in Net Position**, net position decreased by \$(7,798,392) during the current fiscal year. This loss is not comparable to the previous fiscal year because the OPEB health insurance trust was ratified and funded during the current fiscal year. Due to this, the OPEB liability is required to be recognized in the statement of activities and changes in net position in the current fiscal year and it was not required to be recognized in the prior fiscal year. If the OPEB liability is not included, the net position in FY19 would have increased by \$702,243. Revenues increased for a second year due to a large increase in students, primarily from non-member districts. On average, an additional 27 students more than the number budgeted were enrolled during FY19. 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. The intergovernmental revenue and expense ("on behalf" pension payments made by the Commonwealth of Massachusetts) increased by \$81,200. 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, 2019	Year ended June 30, 2018	% Change
Revenues:			
Charges for student services	\$20,423,618	\$18,740,330	+ 8.98%
Intergovernmental revenue	3,317,381	3,236,181	
Grants and contributions	-	-	
Interest income	<u>9,516</u>	<u>5,111</u>	
Total revenues	<u>23,750,515</u>	<u>21,981,622</u>	
Expenses:			
Student services	24,401,290	16,339,782	+ 49.3%
General and administrative	3,471,562	1,817,474	+ 91%
Depreciation	358,654	235,020	
Intergovernmental expense	<u>3,317,381</u>	<u>3,236,181</u>	
Total expenses	<u>31,548,887</u>	<u>21,628,457</u>	
Change in net position	(7,798,372)	353,165	
Net position – beginning	<u>4,376,916</u>	<u>4,023,751</u>	
Transfer to Fiduciary Fund	<u>(50,000)</u>	<u>-</u>	
Net position – ending	<u>\$(3,471,456)</u>	<u>\$ 4,376,916</u>	

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget for fiscal year 2019 was based on the assumption that revenue from charges for student services would increase by approximately six percent. Actual revenues were higher than budgeted due to additional students enrolling in the Collaborative programs, the majority from non-member towns. Actual expenditures were over budget by approximately \$670,705 due to staffing additions to adjust to the student enrollment numbers.

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, 2019

	Governmental Activities
CURRENT ASSETS:	
Cash and cash equivalents	\$ 3,069,354
Accounts receivable	915,515
Prepaid expenses	<u>267,405</u>
Total current assets	<u>4,252,274</u>
DEPRECIABLE CAPITAL ASSETS, net of accumulated depreciation	2,270,735
LAND	<u>504,975</u>
Total capital assets	<u>2,775,710</u>
Total assets	<u><u>\$ 7,027,984</u></u>
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 1,497,530
Current portion of long-term debt	81,535
Unearned revenue	<u>169,233</u>
Total current liabilities	<u>1,748,298</u>
NON-CURRENT LIABILITIES:	
Long-term debt	250,527
Net OPEB liability	<u>8,500,615</u>
Total non-current liabilities	<u>8,751,142</u>
Total liabilities	10,499,440
NET POSITION:	
Investment in capital assets, net of related debt	2,443,648
Unrestricted	<u>(5,915,104)</u>
Total net position	<u>(3,471,456)</u>
Total liabilities and net position	<u><u>\$ 7,027,984</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, 2019

FUNCTIONS/PROGRAMS	Charges for Expenses	Program Revenue Charges for Services	Total
Governmental Activities:			
Student services	\$24,401,290	\$20,423,618	\$(3,977,672)
General and administrative	3,471,562	-	(3,471,562)
Depreciation	358,654	-	(358,654)
Intergovernmental revenue	<u>3,317,381</u>	<u>3,317,381</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$31,548,887</u>	<u>\$23,740,999</u>	<u>\$(7,807,888)</u>
General revenue:			
Interest			9,516
Other			<u>-</u>
Change in Net Position			<u>(7,798,372)</u>
NET POSITION, BEGINNING OF YEAR			4,376,916
Transfer to Fiduciary Fund			<u>(50,000)</u>
NET POSITION, END OF YEAR			<u>\$(3,471,456)</u>

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2019

ASSETS:

Cash and cash equivalents	\$3,069,354
Accounts receivable	915,515
Prepaid expenses	<u>267,405</u>
Total assets	<u>\$4,252,274</u>

LIABILITIES:

Accounts payable and accrued expenses	\$1,112,957
Unearned revenue	<u>169,233</u>
Total liabilities	<u>1,282,190</u>

FUND BALANCES:

Nonspendable	267,405
Cumulative surplus (Unassigned)	<u>2,702,679</u>
Total fund balances	<u>2,970,084</u>
Total liabilities and fund balance	<u>\$4,252,274</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, 2019

REVENUES:	
Direct service and administrative	\$20,423,618
Intergovernmental revenue	3,317,381
Interest income	<u>9,516</u>
Total revenues	<u>23,750,515</u>
EXPENDITURES:	
Administrative expenses	2,087,837
Intergovernmental expense	3,317,381
Program expenses	17,260,771
Capital outlay, net of debt incurred	137,878
Debt Services:	
Debt principal	58,713
Debt interest	<u>11,371</u>
Total expenditures	<u>22,873,951</u>
Revenue over expenditures	<u>876,564</u>
FUND BALANCES, BEGINNING OF YEAR	2,143,520
Transfer to Fiduciary Fund	<u>(50,000)</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,970,084</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, 2019

Total fund balance, governmental funds	\$ 2,970,084
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.	2,775,710
Certain liabilities are not typically due and payable in the current period and, therefore, are not reported in the governmental funds.	
Notes payable	(332,062)
Compensated absences	(384,573)
The other postemployment benefit (OPEB) liability is not a current obligation and therefore is not reported in this fund financial statement but is reported in the governmental activities of the Statement of Net Position.	<u>(8,500,615)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$(3,471,456)</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, 2019

Net changes in balances - governmental funds \$ 876,564

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. 22,418

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. 58,713

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. (243,194)

Current year change in other postemployment benefits (OPEB) accrual (8,500,615)

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. (12,258)

Changes in Net Position of Governmental Activities in the Statement of Activities \$(7,798,372)

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	<u>OPEB Trust</u>
ASSETS	
Cash and investments	<u>\$49,966</u>
Total assets	<u>\$49,966</u>
NET POSITION	
Restricted for Postemployment Health Benefits	<u>\$49,966</u>
Total net position	<u>\$49,966</u>

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	<u>OPEB Trust</u>
ADDITIONS:	
South Coast Educational Collaborative contributions:	
Transfer to Trust	\$ 50,000
Direct payments on behalf of Trust	131,745
Dividend income	<u>5</u>
Total additions	<u>181,750</u>
DEDUCTIONS:	
Administrative expenses	-
Benefits to retirees and beneficiaries	<u>131,745</u>
Total deductions	<u>131,745</u>
Increase in net position	<u>50,005</u>
Unrealized loss on investment	(39)
NET POSITION, BEGINNING OF YEAR	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 49,966</u>

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(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.

Government-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through assessments to member towns, intergovernmental revenues and other non-exchange revenues. The Collaborative did not have any business type activity in 2019.

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of Presentation (continued)*

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues and expenditures.

Government Activities

Government funds are identified as either general or fiduciary funds based upon the following guidelines:

The General Fund is the general operating fund of the Collaborative and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary funds are used to account for resources legally held in trust. The Collaborative has one Fiduciary Fund. All resources of the fund, including any earnings on invested resources, must be used to support the payment of Other Post-Employment Benefits (OPEB) expenditures.

(b) *Basis of Accounting*

The Collaborative's Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds, proprietary funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

State general aid and other entitlements are recognized as revenue in the period the Collaborative is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the Collaborative, which are not available are recorded as receivables and unearned revenue. Amounts received prior to the entitlement period are also recorded as unearned revenue.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Presentation (continued)

Revenues susceptible to accrual include state aid, expenditure-driven programs and interest income.

Charges for services provided to other education agencies and private parties are recognized as revenue when services are provided.

(c) Measurement Focus

On the Statement of Net Position and Statement of Activities governmental activities and business-type activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt retirements, are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated, using expendable available financial resources, are included as liabilities in the Collaborative's government wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

(d) Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. The Collaborative has no bonded debt on capital assets on June 30, 2019.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors of laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Equity Classifications (continued)*

Governmental Fund Statements

Governmental Fund equity is classified as fund balance. Fund Balance for the Governmental Fund financial statements is classified as one of the following five categories:

Nonspendable: Fund balances that cannot be spent because they are either:

Not in Spendable Form: Generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification would also include some long-term amounts such as property acquired for resale or the long-term portion of loans receivable, or

Legally or Contractually Required to be Maintained Intact: Amounts that are required to be maintained intact, such as the principal of a permanent fund.

Restricted: Amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

Committed: Amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority (School Committee). This classification might also include contractual obligations if existing resources have been committed for use in satisfying those contractual requirements.

Assigned: Amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given.

Unassigned: This is the residual classification for the General Fund- everything that is not in another classification or in another fund. The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and Cash Equivalents

Cash and investments of Collaborative funds are restricted by state statutes. Massachusetts General Law authorizes the Collaborative to invest in term deposits, Certificates of Deposit, in trust companies, national banks, savings banks or in obligations issued by the U.S. Government or one of its agencies.

Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 and deposits, including Certificates of Deposits in Massachusetts-chartered savings banks, are insured in full above the FDIC limit from the Depositors Insurance Fund (DIF) of Massachusetts. The Collaborative did not have any cash equivalents at June 30, 2019.

(f) 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, 2019. 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.

(g) 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, 2019

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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, 2019 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

(l) 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, 2019

(3) CAPITAL ASSETS

Capital asset activity for fiscal year 2019 is as follows:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets:				
Land	\$ 504,975	\$ -	\$ -	\$ 504,975
Building & improvements	1,519,472	15,306	-	1,534,778
Leasehold improvements	2,036,748	123,115	-	2,159,863
Vehicles	<u>349,949</u>	<u>242,651</u>	-	<u>592,600</u>
Total capital assets	4,411,144	381,072	-	4,792,216
Less accumulated depreciation:				
Land	-	-	-	-
Building & improvements	914,859	82,469	-	997,328
Leasehold improvements	609,812	195,919	-	805,731
Vehicles	<u>133,181</u>	<u>80,266</u>	-	<u>213,447</u>
Total accumulated depreciation	<u>1,657,852</u>	<u>358,654</u>	-	<u>2,016,506</u>
Capital assets, net	<u>\$2,753,292</u>	<u>\$ 22,418</u>	<u>\$ -</u>	<u>\$2,775,710</u>

Depreciation and amortization expense totaled \$358,654 and was not allocated to governmental functions. The expense 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, 2019

(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 both June 30, 2019 and 2018 is 6.1%.

<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 \$277,384. Pension expense to the Commonwealth of Massachusetts for the Collaborative amounted to \$1,469,006. Therefore, \$1,191,622 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, 2019

(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 \$2,125,759 for fiscal 2019, 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 \$20,977,431 for MTRS and \$11,150,552 for MSERS. For both MTRS and MSERS, the net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liabilities were determined by actuarial valuations as of January 1, 2018 rolled forward to June 30, 2018. 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, 2018, the Collaborative's proportion was .084% 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, 2019, the Collaborative recognized intergovernmental pension expense and revenue of \$1,191,622 (MSERS) and \$2,125,759 (MTRS).

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuations for MSERS and MTRS were determined using the following actuarial assumptions, applied to all periods included in the measurement:

1. (a) 7.35% 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, 2019

(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 reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year

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 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct)

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, 2018 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	39%	5.0%
Portfolio Completion Strategies	13	3.7
Core Fixed Income	12	.9
Private Equity	12	6.6
Value Added Fixed Income	10	3.8
Real Estate	10	3.8
Timber/Natural Resources	4	3.4
Total	<u>100%</u>	

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(4) RETIREMENT BENEFIT PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.35%. 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 7.35 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 (6.35 percent) or 1 percentage point higher (8.35 percent) than the current rate:

<u>Collaborative's Proportionate Share of Net Pension Liability</u>	<u>1 % Decrease (6.35%)</u>	<u>Discount Rate (7.35%)</u>	<u>1% Increase (8.35%)</u>
MTRS	\$26,083,057	\$20,977,431	\$16,607,012
MSERS	\$15,029,080	\$11,150,552	\$7,836,499

Pension Plan Fiduciary Net Position

The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 54.84% for MTRS and 67.91% for MSERS.

(5) 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, 2019

(5) COMMITMENTS AND CONTINGENCIES (continued)

(a) *Operating Leases (continued)*

Rent expense relating to all property leases totaled \$788,035 for fiscal year ending June 30, 2019. 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
2020	\$ 740,665
2021	690,063
2022	468,902
2023	510,005
2024	125,312
Thereafter	<u>250,624</u>
	<u>\$2,785,571</u>

(b) *Employment Contract*

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

(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 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, 2019. As of June 30, 2019, the Collaborative had an estimated liability of \$384,573 relating to the lump sum benefit. This amount is included in accrued expenses in the Statement of Net Position.

(7) 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, 2020. No balance was outstanding at June 30, 2019.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(8) DEBT

Debt consists of the following at June 30, 2019:

	Balance June 30, 2018	Amounts Borrowed	Principal Payments	Balance June 30, 2019	Current Portion
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$476.20. The note matures in January 2019. The interest rate is 5.95%.	\$ 3,269	\$ -	\$ 3,269	\$ -	\$ -
Note payable secured by two vehicles, due in monthly installments of principal and interest of \$984.47. The note matures in November 2018. The interest rate is 5.45%.	4,856	-	4,856	-	-
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$707.25. The note matures in October 2021. The interest rate is 5.45%.	25,225	-	7,292	17,933	7,700
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$604.56. The note matures in January 2022. The interest rate is 4.79%.	23,332	-	6,274	17,058	6,581
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$604.56. The note matures in January 2022. The interest rate is 4.79%.	23,332	-	6,274	17,058	6,581
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$947.45. The note matures in July 2022. The interest rate is 5.45%.	41,538	-	9,337	32,201	9,858
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$589.58. The note matures in August 2022. The interest rate is 4.99%.	26,029	-	5,910	20,119	6,212
Note payable secured by a vehicle, due in monthly installments of principal and interest of \$678.29. The note matures in July 2023. The interest rate is 6.45%.	-	34,895	5,743	29,152	6,448
Note payable secured by two vehicles, due in monthly installments of principal and interest of \$1,615.73. The note matures in November 2023. The interest rate is 5.95%.	-	84,089	9,758	74,331	15,381
Note payable secured by four vehicles, due in monthly installments of principal and interest of \$2,311.50. The note matures in June 2024. The interest rate is 4.43%.	<u>-</u>	<u>124,210</u>	<u>-</u>	<u>124,210</u>	<u>22,774</u>
	<u>\$147,581</u>	<u>\$243,194</u>	<u>\$58,713</u>	<u>\$332,062</u>	<u>\$81,535</u>

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(8) DEBT (continued)

The debt is scheduled to mature as follows:

Year Ending June 30:	Principal	Interest	Total
2020	\$ 81,535	\$15,173	\$ 96,708
2021	85,854	10,852	96,706
2022	76,541	6,541	83,082
2023	53,612	3,189	56,801
2024	<u>34,520</u>	<u>740</u>	<u>35,260</u>
	<u>\$332,062</u>	<u>\$36,495</u>	<u>\$368,557</u>

Interest expense for the fiscal year totaled \$11,371.

(9) 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 \$310,020 as of June 30, 2019. 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, 2019, the Collaborative's cash balances in excess of FDIC limits totaled \$2,698,008. 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, 2019

(10) OTHER POST-EMPLOYMENT BENEFITS PAYABLE (OPEB)

Plan Description

The Collaborative's defined benefit OPEB plan, South Coast Educational Collaborative OPEB Trust ("the Plan"), provides OPEB to eligible employees who retire from SCEC who are participants in either the MSERS or MTRS. The Plan is a single-employer defined benefit OPEB plan administered by a Board of Trustees. The Board of Trustees is comprised of the Executive Director, the Business Manager, the Chairman of the Board, the Vice Chairman of the Board and one appointed member of the Board of Directors. The Plan does not issue a publicly available financial report. The Collaborative will pay 50% of health insurance premiums for Individual coverage for persons who have retired from employment with the Collaborative and who are qualified to receive retirement benefits. The Plan assets are held in an irrevocable trust.

Plan Assets

Plan assets are reported at fair value. As an OPEB Trust, guidance on allowable investments differs from general Collaborative guidance. The Plan assets are invested according to the Investment Policy adopted by the Board of Directors in December 2018. The objective of the Investment Policy is long-term growth in a diversified mix of high-quality securities according to the "Prudent Person" standard described in chapter 203C of Massachusetts General Laws.

Funding Policy

The Board of Directors has no obligation to make contributions to the Plan to fund OPEB, and the size of the Trust may not be sufficient at any one time to meet the Board's OPEB liabilities. Employees are not required to contribute to the Plan. The cost of administering the Plan is paid by the Collaborative. The Collaborative provided contributions of \$181,745 in fiscal year 2019 toward the annual Other Post-Employment Benefit (OPEB) cost, comprised of benefit payments made on behalf of retirees and a contribution to the Trust. In addition, the irrevocable trust earned \$5 in interest.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	20
Active employees	<u>210</u>
	<u>230</u>

Net OPEB Liability

The Collaborative's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018. The projected OPEB liability as of June 30, 2019 reflects the projected pay-as-you-go results for fiscal year July 1, 2018 to June 30, 2019.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(10) OTHER POST-EMPLOYMENT BENEFITS PAYABLE (OPEB) (Continued)

Actuarial Assumptions. The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0 percent
Expected return on assets	6.16 percent
Healthcare cost trend rates	4.5 percent

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year of 2009 for males and females.

The actuarial assumptions are estimates as to the occurrence of future events impacting the costs of the plan such as mortality rates, withdrawal rates, medical trend rates, retirement ages, rates of investment earnings, etc. The assumptions were chosen to anticipate the long-term experiences of the plan.

Changes in the Net OPEB Liability for the Fiscal Year ending June 30, 2019

		<u>Increase (Decrease)</u>	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of 7/1/2018	\$ 8,932,021	\$ -	\$ 8,932,021
Changes for the year:			
Service cost	438,099	-	438,099
Interest on total OPEB liability	325,668	-	325,668
Change in expected to actual	280,885	-	280,885
Changes of assumptions	(1,294,347)	-	(1,294,347)
Contributions - employer	-	181,745	(181,745)
Contributions-employees	-	-	-
Net investment income	-	(34)	34
Benefit payments	(131,745)	(131,745)	-
Administrative expense	-	-	-
Net changes	(381,440)	49,966	(431,406)
Balance at 6/30/2019	\$8,550,581	\$ 49,966	\$ 8,500,615

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(10) OTHER POST-EMPLOYMENT BENEFITS PAYABLE (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability as of June 30, 2019 calculated using the discount rate of 3.5%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current discount rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Plan's Net OPEB Liability as of June 30, 2019	\$10,149,395	\$8,500,615	\$7,209,724

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Net OPEB Liability as of June 30, 2019 calculated using the trend rate of 4.5%, as well as what the Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower (3.5%) or 1-percentage-point higher (5.5%) than the current rate:

	Trend Rate 1% Decrease	Current Valuation Discount Rate	Trend Rate 1% Increase
Plan's Net OPEB Liability as of June 30, 2019	\$7,007,134	\$8,500,615	\$10,474,425

OPEB plan fiduciary net position

Detailed plan information about the OPEB plan's fiduciary net positions is available in the fiduciary statements included in these financial statements.

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(11) FIDUCIARY FUND INVESTMENTS

The cost and fair values of investments held in the OPEB Trust at June 30, 2019 are as follows:

	Fair value	Cost	Unrealized Gain (Loss)
Equity Mutual Funds	\$27,420	\$27,500	\$(80)
Fixed Income Mutual Funds	22,041	22,000	41
Cash & Equivalents	<u>505</u>	<u>505</u>	<u>-</u>
Total	<u>\$49,966</u>	<u>\$50,005</u>	<u>\$(39)</u>

(12) FAIR VALUE MEASUREMENT OF FIDUCIARY FUND INVESTMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Collaborative has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following tables present the Collaborative's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2019.

**Fair Value Measurements on a Recurring Basis
As of June 30, 2019**

	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	\$27,420	\$ -	\$ -	\$27,420
Fixed Income Mutual Funds	22,041	-	-	22,041
Cash and Equivalents	<u>505</u>	<u>-</u>	<u>-</u>	<u>505</u>
Total investments	<u>\$49,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$49,966</u>

SOUTH COAST EDUCATIONAL COLLABORATIVE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(13) 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, 2019 and 2018 is equal to \$2,825,673 and \$1,949,109, respectively. 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. The cumulative surplus as a percentage for general fund expenditures for years ended June 30, 2019 and 2018 was 14.6% and 10.74%, respectively. The difference between the Cumulative Surplus calculated according the Massachusetts regulations and the Cumulative Surplus (Unassigned) per the Governmental Funds Balance Sheet is the cumulative change in the Nonspendable Fund Balance net with the amount transferred to the Fiduciary Fund.

(14) SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through September 18, 2019, which is the date the financial statements were available to be issued.

SOUTH COAST EDUCATIONAL COLLABORATIVE

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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, 2019

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget – Positive (Negative)
REVENUES:				
Direct service and administrative	\$18,683,233	\$18,683,233	\$20,423,618	\$1,740,385
Interest income	-	-	9,516	9,516
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>18,683,233</u>	<u>18,683,233</u>	<u>20,433,134</u>	<u>1,749,901</u>
EXPENDITURES:				
Administrative expenses	2,237,205	2,237,205	2,087,837	149,368
Program expenses	<u>16,440,698</u>	<u>16,440,698</u>	<u>17,260,771</u>	<u>(820,073)</u>
Total expenditures for operations	<u>18,677,903</u>	<u>18,677,903</u>	<u>19,348,608</u>	<u>(670,705)</u>
Revenue over operating expenditures	5,330	5,330	1,084,526	1,079,196
Capital outlay	250,000	250,000	137,878	112,122
Debt service payments	<u>66,800</u>	<u>66,800</u>	<u>70,084</u>	<u>(3,284)</u>
Revenue over (under) expenditures	<u>(311,470)</u>	<u>(311,470)</u>	<u>876,564</u>	<u>1,188,034</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,143,520</u>	<u>2,143,520</u>	<u>2,143,520</u>	<u>-</u>
Transfer to Fiduciary Fund	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,832,050</u>	<u>\$ 1,832,050</u>	<u>\$ 2,970,084</u>	<u>\$1,138,034</u>

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

SOUTH COAST EDUCATIONAL COLLABORATIVE

SCHEDULE OF CHANGES IN THE COLLABORATIVE'S NET OPEB LIABILITY

FOR THE YEAR ENDED JUNE 30, 2019

	6/30/2019
	(valuation as of July 1, 2018)
Total OPEB Liability (TOL)	
Service cost	\$ 438,099
Interest on TOL	325,668
Differences between expected and actual experience	280,885
Changes of assumptions	(1,294,347)
Benefit payments	<u>(131,745)</u>
Net change in total OPEB liability	(381,440)
Total OPEB liability – beginning	<u>8,932,021</u>
Total OPEB liability – ending (a)	<u><u>\$ 8,550,581</u></u>
Plan fiduciary Net Position	
Contributions - employer	\$ 181,745
Net investment income	(34)
Benefit payments	<u>(131,745)</u>
Net change in plan fiduciary net position	49,966
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position – ending (b)	<u>\$ 49,966</u>
Collaborative's net OPEB liability – ending (a)-(b)	<u><u>\$ 8,500,615</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	.58%
Total Annual Compensation based on Valuation Census Information (covered-employee payroll)	\$13,000,000
Collaborative's net OPEB liability as a percentage of covered-employee payroll	65.4%
Actuarially determined Pay-As-You-Go contribution	\$ 884,659
Contributions in relation to actuarially determined contribution	181,745
Contribution deficiency	<u><u>\$ 702,914</u></u>
Contributions as a percentage of covered-employee payroll	1.4%

Notes to Schedule:

The *Total OPEB liability – beginning* balance was recorded from the GASB 75 report prepared with a valuation date of July 1, 2016, a measurement date of July 1, 2017 and a reporting date of June 30, 2018. The beginning balance OPEB liability was not disclosed in the prior year financial statements due to the fact that the Trust was not ratified or funded. The Trust was ratified and funded during the fiscal year ended June 30, 2019 and will continue to be funded as decided by the Board of Directors.

SOUTH COAST EDUCATIONAL COLLABORATIVE

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

JUNE 30, 2019

Measurement Date	June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015		June 30, 2014	
	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS
Collaborative's proportion of the net pension liability	.0885%	.0843%	.0888%	.0802%	.0898%	.0785%	.0931%	.0778%	.0890%	.0847%
Collaborative's proportionate share of the net pension liability	\$20,977,431	\$11,150,552	\$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	\$5,368,496	\$ 4,547,279	\$ 6,069,530	\$ 4,480,232	\$ 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 % of its covered-employee payroll	390.75%	245.21%	334.84%	229.67%	320.90%	247.56%	320.21%	209.60%	265.31%	140.14%
Plan fiduciary net position as a % of the total pension liability	54.84%	67.91%	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, 2018, 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, 2019

Measurement Date	June 30, 2018		June 30, 2017		June 30, 2016		June 30, 2015		June 30, 2014	
	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS
Contractually required contribution	\$ -	\$ 277,384	\$ -	\$ 250,893	\$ -	\$ 244,712	\$ -	\$ 236,640	\$ -	\$ 251,276
Contributions in relation to the contractually required contribution	\$ -	\$ 277,384	\$ -	\$ 250,893	\$ -	\$ 244,712	\$ -	\$ 236,640	\$ -	\$ 251,276
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$5,368,496	\$4,547,279	\$6,069,530	\$4,480,232	\$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%	6.1%	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, 2018, 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, 2019

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, 2019

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 2019 Expense
Dighton/Rehoboth	7/1/18 – 6/30/21	\$ 40,000
Seekonk	7/1/10 – 6/30/23	321,075
Somerset	Annual	50,000
Bishop Connolly	7/1/18 – 6/30/21	140,000
YMCA Swansea	7/1/16 – 6/30/26	56,960
Freetown/Lakeville	Annual	90,000
Berkley	Annual	<u>90,000</u>
Total		<u>\$788,035</u>

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

David Heimbecker	Executive Director	\$191,684
Carolyn McKearney	Senior Leadership Team Member, Administrative Leadership at the North Seekonk School, and Educational Consulting	\$120,500
Donna Cranshaw-Gabriel	Senior Leadership Team Member for Curriculum, Instruction, Special Education Programming, and Educational Consulting	\$118,000
Patricia Steele	Senior Leadership Team Member and Educational Consulting	\$115,500
Francis Gallishaw Jr.	Senior Leadership Team Member and Coordinator of Continuous Professional Learning	\$105,500

The amounts expended on administration and overhead:

Administration and overhead \$3,830,216

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, 2019

FY19 Cumulative Surplus Calculation Worksheet		South Coast Educational Collaborative	
Enter values below			Page in FY19 FS
(A)	Voted Cumulative Surplus as of 6/30/18	\$1,949,109	(A) p. 32
(B)	Amount of (A) used to support the FY18 Budget	(B)1 \$ -	
	Amount of (A) returned to member districts	(B)2 \$ -	
		(B)1 + (B)2 = (B) \$ -	
(C)	Unexpended FY19 General Funds	\$ 876,564	(C) p. 9
(D)	Cumulative Surplus as of 6/30/19	(A) - (B) + (C) = (D) \$ 2,825,673	(D)
(E)	FY19 Total General Fund Expenditures	\$19,348,608	(E) p. 9
(F)	Cumulative Surplus Percentage	(D) ÷ (E) 14.6%	(F) p. 32

SOUTH COAST EDUCATIONAL COLLABORATIVE

AUDITORS' REPORT PURSUANT TO GOVERNMENTAL
AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2019



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, 2019, 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 18, 2019.

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 18, 2019



South Coast Educational Collaborative

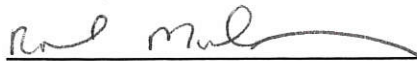
2201 G.A.R. Highway, Swansea, MA 02777-3924,
Telephone: 508.379.1180, Fax: 508.379.1231,
www.scecoll.org

MISSION: To provide students, families, educators, school districts, and agencies high quality, cost-effective, value-added, and sustainable education, professional development, technical assistance, and resources that are informed by an enduring commitment to deep learning and deep learning and that are grounded in our core values, appropriate research-based content, and best-practice.

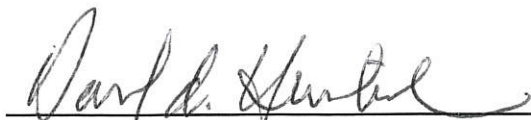
CERTIFICATE OF APPROVAL

At their Executive Board Meeting held on December 12, 2019 the Board of Directors of South Coast Educational Collaborative voted unanimously to:

“To approve the 2018-2019 Financial Audit as presented and submitted on December 12, 2019 by Laticia Michelson from Pavento, Ratcliffe, Renzi, & Co., LLC and to designate \$2,825,673 as South Coast Educational Collaborative’s cumulative surplus for FY19 and retain for the Collaborative’s use and to instruct the Board Chair and the Executive Director to certify that this action was taken by signing a document that memorializes the action taken.”


Richard Medeiros, SCEC Board Chair

12/12/19
Date


David R. Heimbecker, Executive Director

12/12/19
Date