

FLLAC EDUCATIONAL COLLABORATIVE

BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDING
JUNE 30, 2019

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DUBE & HAZELWOOD, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FLLAC Educational Collaborative
Shirley, MA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of FLLAC Educational Collaborative (the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Collaborative as of June 30, 2019, and the respective changes in financial position thereof 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 through 7 and budgetary comparison information on page 14 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 Collaborative's basic financial statements. The other information presented, in accordance with Massachusetts General Laws, Chapter 40, sec. 4E and regulation 603 CMR 50.00, is presented for purposes of additional analysis and are not a required part of the basic financial statements. These components have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019, on our consideration of the 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 the Collaborative's internal control over financial reporting and compliance.

Dick & Hazelwood, P.C.

December 4, 2019

FLLAC EDUCATIONAL COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the FLLAC Educational Collaborative (the Collaborative), we offer readers this narrative overview and analysis of the financial activities of the Collaborative for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic financial statements and notes to the basic financial statements.

THE COLLABORATIVE

The Collaborative is a regional public multi-service agency authorized by State statute to develop, manage and provide services to local educational agencies. More specifically, the Collaborative creates programs and provides services for children with a wide range of special education needs. Pursuant to the provisions of Massachusetts General Laws, Chapter 40, Section 4E as most recently amended, the Collaborative is an Agreement entered into in 1975 by the school committees of Fitchburg, Leominster and Clinton acting for and on behalf of their respective cities, towns or regional school districts. This agreement has been reaffirmed over time adding Lunenburg, Gardner, West Boylston, Winchendon, the Ayer Shirley Regional School District, the Quabbin Regional School District and the Ashburnham/Westminster Regional School Districts as members. It was last reaffirmed and modified in 2017, adding the North Middlesex Regional School District.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements:

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

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

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

Fund financial statements:

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

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

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to financial statements:

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

FINANCIAL HIGHLIGHTS

- The assets of the Collaborative exceeded its liabilities by \$2,857,056 and \$1,914,110, at June 30, 2019 and 2018, respectively.
- The Collaborative's net position increased by \$1,079,502 and \$379,864 for the years ended June 30, 2019 and 2018, respectively.
- No provision was made in the budget to reflect non-cash activities, such as depreciation and amortization. Depreciation was \$22,326 and \$18,561 for the years ended June 30, 2019 and 2018, respectively.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a government’s financial position. The Collaborative's assets exceeded liabilities by \$2,857,056 and \$1,914,110 at June 30, 2019 and 2018, respectively.

Collaborative's Net Position

Description	2019	2018
Current assets	\$ 3,387,917	\$ 2,727,751
Capital assets, net of accumulated depreciation	66,938	55,824
Total assets	<u>3,454,855</u>	<u>2,783,575</u>
Total liabilities	<u>597,799</u>	<u>869,465</u>
Total Net Position, unrestricted	<u><u>\$ 2,857,056</u></u>	<u><u>\$ 1,914,110</u></u>

Key elements of the governmental activities which increased the Collaborative's net position are as follows:

Collaborative's Changes in Net Position

Description	2019	2018
Program Revenue:		
Tuition, Fees, Grants and Other Operating Revenue	\$ 10,303,014	\$ 8,993,302
Other Revenue	7,489	1,238
Total Revenue	<u>10,310,503</u>	<u>8,994,540</u>
Expenses:		
Educational Services and Operations	<u>9,231,001</u>	<u>8,614,676</u>
Total Expenses	9,231,001	8,614,676
Surplus returned to member districts	<u>(136,556)</u>	<u>-</u>
Increase in Net Position	<u>942,946</u>	<u>379,864</u>
Net Position, Beginning of Year	<u>1,914,110</u>	<u>1,534,246</u>
Net Position, End of Year	<u><u>\$ 2,857,056</u></u>	<u><u>\$ 1,914,110</u></u>

At June 30, 2019 and 2018, the net position of \$2,857,056 and \$1,914,110 was unrestricted. As a measure of liquidity, it may be useful to compare unrestricted net position to total expenditures and transfers for the current year. Unrestricted net position represents 30.9% of total expenditures for the year ended June 30, 2019 and 22.2% for the year ended June 30, 2018. There were no transfers.

Key factors in the change in net position are as follows:

- Expenditures for operations, including transportation, payroll and pension-on-behalf payments were \$134,859 more than budgeted for the year ended June 30, 2019 and \$87,916 less than budgeted for the year ended June 30, 2018.
- Tuition and service fees revenues were \$1,202,353 more than budgeted for the year ended June 30, 2019 and \$251,846 more than budgeted for the year ended June 30, 2018. Total operating revenue was \$1,211,842 more than budgeted for the year ended June 30, 2019 and \$290,584 more than budgeted for the year ended June 30, 2018.

State payments-on-behalf of the teacher retirement program totaling \$1,538,198 and \$1,504,461 were made directly by the Commonwealth for the benefit of Collaborative teachers for the years ended June 30, 2019 and 2018, respectively.

Budgetary Highlights

The approved budget of the Collaborative for the 2019 fiscal year end anticipated revenue of approximately \$7.6 million. The budget anticipated that, with full use of services, there would be an overall increase in net position of approximately \$2,500. The actual result was an increase in net position of approximately \$1,079,000 due in large part to the increased number of non-member tuitions. The net position for the fiscal year end 2019 is \$2,857,056. The Collaborative has exceeded the 25% cap on our fund balance (603 CMR 507.07(9)), as a result the Board will have to identify a plan to address how to use the funds in excess of the cap. The surplus calculation on Note I shows that the amount of funds exceeding the cap is \$933,855. The tuition structure for the fiscal year end 2019 budget was based on enrollment projections consistent with recent use trends and increase in tuition prices, but did not accurately estimate the increase in nonmember services, which accounted for close to \$848,000 in additional revenue. Nonmember enrollment ranged from 31% of students in the ASD/DD Program, 43% in the Caldwell Program and 7% in the Elementary EDBD Program.

REQUIRED DISCLOSURES PER MASSACHUSETTS GENERAL LAWS CHAPTER 40, SECTION 4E

Under Massachusetts General Law and its regulations pertaining to Collaborative's, FLLAC Educational Collaborative must disclose certain information. For the year ended June 30, 2019, refer to the following information:

1. The Collaborative did not enter into any transactions with related for-profit or non-profit organizations.
2. The Collaborative leases office and classroom space as described in Note H of the Financial Statements.
3. The names, duties and total compensation of the five most highly compensated employees are disclosed below:

<u>Employee Name</u>	<u>Position</u>	<u>Total Compensation</u>
Richard Murphy	Executive Director	\$133,437
Gary MacCallum	Principal	\$106,385
Julie Bragg	Program Supervisor	\$ 97,569
Jean Sauer	Teacher/Consultant	\$ 96,993
Megan Ritter	Program Supervisor/Counselor	\$ 93,080

4. The Collaborative expended the following amounts on administration and overhead:

The total amount expended on administration and overhead for fiscal year 2019 was \$721,778. This amount was for payroll and payroll related, administration and occupancy.

The Collaborative did not hold any accounts that may be spent at the discretion of another person or entity.

5. The Collaborative did not expend any funds on services for individuals age 22 or older.
6. The Collaborative makes all information from audits available publicly online through their individual website.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the business office of the FLLAC Educational Collaborative, 2 Shaker Road D215, Shirley, Massachusetts.

FLLAC EDUCATIONAL COLLABORATIVE
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	Governmental <u>Activities</u>
<u>CURRENT ASSETS:</u>	
Cash and cash equivalents	\$ 2,745,005
Accounts receivable	432,414
Prepaid expenses and deposits	<u>210,498</u>
Total current assets	<u>3,387,917</u>
<u>NONCURRENT ASSETS:</u>	
Capital assets, net of accumulated depreciation	<u>66,938</u>
 TOTAL ASSETS	 <u><u>\$ 3,454,855</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES:</u>	
Accounts payable	\$ 35,760
Accrued expenses	<u>562,039</u>
Total current liabilities	<u>597,799</u>
<u>NET POSITION:</u>	
Unrestricted	<u>2,857,056</u>
Total net position	<u>2,857,056</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 3,454,855</u></u>

The notes to the basic financial statements are an integral part of this statement

Dube & Hazelwood, P.C.
Certified Public Accountants

FLLAC EDUCATIONAL COLLABORATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENTAL ACTIVITIES	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION TOTAL GOVERNMENTAL ACTIVITIES
Tuition and service fees	\$ 7,513,488	\$ 8,542,700	\$ -	\$ 1,029,212
Pension-on-behalf payments	1,538,198	-	1,538,198	-
Virtual learning consortium	179,315	182,616	-	3,301
Grants and contributions	-	-	2,000	2,000
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 9,231,001</u>	<u>\$ 8,725,316</u>	<u>\$ 1,540,198</u>	<u>\$ 1,034,513</u>

GENERAL REVENUES:

Member assessments and other	\$ 40,906
Interest Income	4,083
Total general revenues	44,989
CHANGE IN NET POSITION	1,079,502
RETURN OF EXCESS SURPLUS TO MEMBER DISTRICTS	(136,556)
OVERALL CHANGE IN NET POSITION	942,946
NET POSITION - beginning of year	1,914,110
NET POSITION - end of year	2,857,056

The notes to the basic financial statements are an integral part of this statement

Dube & Hazelwood, P.C.
Certified Public Accountants

FLLAC EDUCATIONAL COLLABORATIVE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	<u>General</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 2,745,005
Accounts receivable	432,414
Prepaid expenses and deposits	<u>210,498</u>
TOTAL ASSETS	<u>\$ 3,387,917</u>
 <u>LIABILITIES:</u>	
Accounts payable	\$ 35,760
Accrued expenses	<u>562,039</u>
TOTAL LIABILITIES	<u>597,799</u>
 <u>FUND BALANCE:</u>	
Unassigned	<u>2,790,118</u>
TOTAL FUND BALANCES	<u>2,790,118</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,387,917</u>

The notes to the basic financial statements are an integral part of this statement

Dube & Hazelwood, P.C.
Certified Public Accountants

FLLAC EDUCATIONAL COLLABORATIVE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION
JUNE 30, 2019

TOTAL GOVERNMENTAL FUND BALANCES	\$	2,857,056
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		(66,938)
NET POSITION OF GOVERNMENTAL FUND BALANCES	\$	<u>2,790,118</u>

The notes to the basic financial statements are an integral part of this statement

Dube & Hazelwood, P.C.
Certified Public Accountants

FLLAC EDUCATIONAL COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>
<u>REVENUES:</u>	
Tuition and service fees	\$ 8,542,700
Pension-on-behalf payments	1,538,198
Virtual learning consortium	182,616
Assessments	37,500
Grants and contributions	2,000
Other revenue	<u>7,489</u>
Total revenue and support	<u>10,310,503</u>
<u>EXPENDITURES:</u>	
Personnel expense	6,599,467
Pension-on-behalf payments	1,538,198
Occupancy	472,167
Operations	435,000
Consultants	73,794
Equipment	97,544
Professional development	<u>50,226</u>
Total expenditures	<u>9,266,396</u>
Change in fund balance	1,044,107
RETURN OF EXCESS SURPLUS TO MEMBER DISTRICTS	<u>(136,556)</u>
OVERALL CHANGE IN FUND BALANCE	907,551
FUND BALANCE, beginning of year	<u>1,882,567</u>
FUND BALANCE, end of year	<u>\$ 2,790,118</u>

The notes to the basic financial statements are an integral part of this statement

Dube & Hazelwood, P.C.
Certified Public Accountants

FLLAC EDUCATIONAL COLLABORATIVE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2019

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,044,107
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense		
Capital outlay		57,721
Depreciation		(22,326)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,079,502</u>

The notes to the basic financial statements are an integral part of this statement

Dube & Hazelwood, P.C.
Certified Public Accountants

FLLAC EDUCATIONAL COLLABORATIVE
STATEMENT OF REVENUES AND OTHER SOURCES AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE POSITIVE (NEGATIVE)
REVENUES AND OTHER SOURCES				
Tuition and service fees	\$ 7,522,963	\$ 7,522,963	\$ 8,725,316	\$ 1,202,353
Assessments	37,500	37,500	37,500	-
Other revenue	-	-	9,489	9,489
Total revenue	<u>7,560,463</u>	<u>7,560,463</u>	<u>8,772,305</u>	<u>1,211,842</u>
EXPENDITURES AND OTHER USES				
Personnel expenses	6,729,564	6,729,564	6,599,467	130,097
Occupancy	476,008	476,008	414,446	61,562
Operations	125,895	125,895	435,000	(309,105)
Consultants	101,000	101,000	73,794	27,206
Equipment	87,102	87,102	97,544	(10,442)
Professional development	38,375	38,375	50,226	(11,851)
Amortization	-	-	22,326	(22,326)
Total expenditures and other uses	<u>7,557,944</u>	<u>7,557,944</u>	<u>7,692,803</u>	<u>(134,859)</u>
EXCESS(DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 2,519</u>	<u>\$ 2,519</u>	<u>\$ 1,079,502</u>	<u>\$ 1,346,701</u>

The notes to the basic financial statements are an integral part of this statement

Dube & Hazelwood, P.C.
Certified Public Accountants

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

FLLAC Educational Collaborative (the Collaborative), is an association of school committees formed for the purpose of conducting education programs and services to complement and strengthen the school programs of member school committees and increase educational opportunities for children. The Collaborative provides pre-school, elementary and secondary education for students ages 3 to 21 with significant disabilities. The Collaborative is governed by an Executive Board of Directors comprised of Superintendents or their designees from each member school committee. For financial reporting purposes, the Collaborative is a stand-alone entity, not a component unit of another entity and there are no component units included in its financial statements. The Collaborative was formed by agreement on November 11, 1975. The agreement is changed from time to time to accommodate member changes and the most recent modification was in 2017.

Basis of presentation

Government-wide financial statements:

The government-wide financial statements report information on all of the nonfiduciary activities of the Collaborative. The Collaborative has only governmental-type activities.

The statement of activities demonstrates both the gross and net cost per functional category. Direct expenses are those that are clearly identifiable with the specific function and program revenues must be directly associated with that function. Program revenues include charges for services as well as grants and contributions that are restricted to meeting operational requirements of the function. Other revenue sources such as member assessments, investment income, and miscellaneous revenues, not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds. The major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues.

The Collaborative applies the susceptible-to-accrual criteria to intergovernmental revenues. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Collaborative; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually recoverable only for failure to comply with prescribed requirements.

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting and financial statement presentation (Continued):

These resources are reflected as revenues when cash is received, or earlier if the susceptible-to-accrual criteria are met.

Expenditures are recorded when the liability is incurred except for 1) interest on long-term debt, which is recorded when due; and 2) claims, judgments, and compensated absences, all of which are recorded as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources.

The Collaborative reports the following funds as major governmental funds:

- The general fund is the Collaborative's primary operational fund. It accounts for all financial resources except those required to be accounted for in a separate fund.
- The capital reserve fund is used for the acquisition, maintenance, and improvement of capital assets including real property and equipment, pursuant to an established capital plan in accordance with 603 CMR 50.07 (10).

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services provided, and 2) operating grants and contributions. General revenues are those that cannot be associated directly with program activities.

Cash and cash equivalents:

For purposes of reporting cash flows, the Collaborative considers cash on hand, cash on deposit, money market funds and certificates of deposits with a maturity of three months or less to be cash equivalents.

Accounts receivable:

Accounts receivable consists primarily of tuition due from Collaborative members. Management has determined that all amounts are collectible. As such, no allowance for uncollectible accounts is considered necessary.

Capital assets

Equipment and other fixed assets are capitalized when the initial cost is \$5,000 or greater and the estimated useful life is in excess of two years. Assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, employees generally are not compensated for unused sick and vacation leave. At June 30, 2019, there was no unused vacation time except for a small amount for the Executive Director which was accrued.

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue

Deferred revenue consists of funds received in advance for tuition and service credits for paid tuition not yet used.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. It does not represent an additional cash requirement.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. It does not represent additional available cash. The Collaborative has no items that qualify for reporting in this category.

Pension plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) and additions to/deductions from their respective fiduciary net position have been determined on the same basis as they are reported by MSERS and MTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position and fund balances

Net Position is reported as restricted when amounts are specified by outside parties for a specific future use. The Collaborative has net position restricted for various specific purposes due to donor intent.

The following fund balance classifications describe the relative strength of the spending constraints:

“Nonexpendable” – Represents amounts that are not in spendable form.

“Restricted” – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

“Committed” – represents amounts that can be used only for specific purposes imposed by a formal action of the Board of Directors, which is the highest level of decision-making authority for the Collaborative. Committed amounts may be established, modified, or rescinded only through actions approved by the Board of Directors.

“Assigned” – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes.

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position and fund balances (Continued):

“Unassigned” – represents the residual fund balance for the general fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts. In circumstances when an expenditure is made for the purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Reconciliation of government-wide financial statements:

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

B. CAPITAL ASSETS

Capital assets consist of the following for the year ended June 30, 2019:

	Estimated Useful Lives	Beginning Balance	Acquisitions (Disposals)	Balance 6/30/19
Capital Assets Being Depreciated:				
Vehicles	5 years	\$ 53,327	\$ -	\$ 53,327
Leasehold improvements	5 years	39,439	57,721	97,160
Total Capital Assets Being Depreciated		\$ 92,766	\$ 57,721	150,487
Less: Accumulated Depreciation for:				
Vehicles		53,327	-	53,327
Leasehold improvements		7,896	22,326	30,222
Total Accumulated Depreciation		\$ 61,223	\$ 22,326	\$ 83,549
Total Capital Assets Being Depreciated, Net		\$ 31,543	\$ 35,395	\$ 66,938

Depreciation expense for the year ended June 30, 2019 was \$22,326.

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

C. LINE OF CREDIT

At June 30, 2019 the Collaborative had a \$350,000 line of credit with a bank. The credit line is on a revolving basis, payable on demand, and secured by all assets of the Collaborative. The interest rate is variable, with floor rate of 4.75%. There were no outstanding amounts on this line at June 30, 2019.

D. PENSION PLAN

Massachusetts State Employees' Retirement System:

Plan Description – The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of MSERS upon the creation of MassDOT. Other employees who transferred to MassDOT had been, and remain, members of MSERS. The assets and liabilities of the former MTA have been transferred to MSERS. MSERS is part of the Commonwealth's reporting entity and does not issue a standalone audited financial report.

Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB) which consists of five members-two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB.

Benefits – MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) established uniform benefit and Contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation.

Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement age is at 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MSERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

D. PENSION PLANS (Continued)

Contributions – Member contributions for MSERS vary depending on the most recent date of membership.

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 – 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Collaboratives contribute amounts equal to the normal cost of employees’ benefits at a rate established by the Public Employees’ Retirement Administration Commission (PERAC), currently 5.6% 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 nonemployer is legally responsible for the entire past service cost related to the Collaboratives and therefore has a 100% special funding situation. Therefore, the Collaborative does not report a liability for its proportionate share of the net pension liability.

The net pension liability of the Plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. The Collaborative’s proportion of the net pension liability was based on the Collaborative’s and related Commonwealth’s share of actual contributions to the pension plan relative to the actual contributions of all participating governmental entities, adjusted for any nonemployer contributions. At June 30, 2018, the Collaborative’s proportion was .02750%, which was an increase of .00186% from its proportion measured as of June 30, 2018.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – For the year ended June 30, 2019, the Collaborative recognized pension expense of \$110,644, including an expense and related on behalf of revenue by the Commonwealth of \$479,236.

Massachusetts State Employees’ Retirement Plan as a Whole

The following table summarizes the changes in deferred outflows of resources of the Plan excluding employer specific amounts (change in proportion) (amounts in thousands):

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Deferred Outflows of Resources:				
Difference between expected and actual experience	\$ 495,858	\$ 102,008	\$ (178,323)	\$ 419,543
Change of assumptions	1,334,613	622,000	(615,837)	1,340,776
Total deferred outflows of resources	<u>\$ 1,830,471</u>	<u>\$ 724,008</u>	<u>\$ (794,160)</u>	<u>\$ 1,760,319</u>

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

D. PENSION PLANS (Continued)	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Deferred Inflows of Resources:				
Difference between expected and actual experience	\$ (348,930)	\$ -	\$ 79,302	\$ (269,628)
Net difference between projected and earnings on plan investments	(152,807)	(577,207)	270,154	(459,860)
Total deferred inflows of resources	<u>\$ (501,737)</u>	<u>\$ (577,207)</u>	<u>\$ 349,456</u>	<u>\$ (729,488)</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in the collective pension expense as follows (amounts in thousands):

Fiscal Year Ending June 30, 2019

2019	\$ 816,378
2020	366,350
2021	(204,840)
2022	11,961
2023	<u>40,982</u>
Net Outflows of Resources	<u>\$ 1,030,831</u>

Actuarial Assumptions – The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

1. (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.00% to 9.00% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females.
 - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and 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.
4. Experience studies were performed as follows:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

D. PENSION PLANS (Continued)

Long-Term Expected Rate of Return – Investment assets of MSERS 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:

Target Asset Class	Allocation (%)	Long-Term Expected Real Rate of Return
Global Equity	39.00%	5.00%
Portfolio Completion Strategies	13.00%	3.70%
Core Fixed Income	12.00%	.90%
Private Equity	12.00%	6.60%
Real Estate	10.00%	3.80%
Value Added Fixed Income	10.00%	3.80%
Timber/Natural Resources	4.00%	3.40%
Total	<u>100.00%</u>	

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 Net Pension Liability to Changes in the Discount Rate – The following presents the State’s proportionate share of the net pension liability associated with the Collaborative calculated using the discount rate of 7.35 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (6.35 percent) or 1-percent-point higher (8.35 percent) than the current rate.

	<u>1% Decrease to 6.35%</u>	<u>Current Discount Rate 7.35%</u>	<u>1% Increase to 8.35%</u>
State’s proportionate share of the net pension liability with the Collaborative	\$ 17,831,800	\$ 13,229,979	\$ 9,297,900

Massachusetts Teachers’ Retirement System:

Plan Description – The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees.

FLLAC EDUCATIONAL COLLABORATIVE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

D. PENSION PLANS (Continued)

Massachusetts Teachers' Retirement System (Continued):

The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational Collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members-two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who services ex-officio as the Chairman of the MTRB.

Benefits – MTRS provided retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) established uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions – Member contributions for MTRS vary depending on the most recent date of membership:

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

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

D. PENSION PLANS (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB State No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer. At June 30, 2018, the Collaborative's proportionate share of the Plan's net pension liability was 0.044072%, which was a decrease of 0.001101% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Collaborative recognized a pension expense and related on behalf of revenue of \$1,058,962.

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Deferred Outflows of Resources:				
Difference between expected and actual experience	\$ 118,426	\$ 92,317	\$ (47,400)	\$ 163,343
Change of assumptions	2,613,180	845,000	(842,681)	2,615,499
Total deferred outflows of resources	\$ 2,731,606	\$ 937,317	\$ (890,081)	\$ 2,778,842
Deferred Inflows of Resources:				
Difference between expected and actual experience	\$ (50,146)	\$ -	\$ 11,939	\$ (38,207)
Net difference between projected and actual earnings on plan investments	\$ (145,918)	\$ (598,176)	\$ 276,886	\$ (467,208)
Total deferred outflows of resources	\$ (196,064)	\$ (598,176)	\$ 288,825	\$ (505,415)

Massachusetts Teachers' Retirement Plan as a Whole (in Thousands)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions of the Plan will be recognized in the collective pension expense as follows (amounts in thousands):

2019	\$ 999,920
2020	768,779
2021	67,350
2022	228,901
2023	193,111
Thereafter	<u>15,366</u>
Net Outflows of Resources	<u>\$ 2,273,427</u>

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

D. PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

1. (a) 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$ 13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement – Reflects RP-2014 White Collar Employees Table projected generationally with MP-2016 (gender distinct)
 - Post-retirement – Reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with 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 2014 set forward 4 years.
4. Experience study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Long-Term Expected Rate of Return – Investment assets of 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:

Long-Term Expected Rate of Return (Continued):

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return
Global Equity	39.00%	5.0%
Portfolio Completion Strategies	13.00%	3.7%
Core Fixed Income	12.00%	0.9%
Private Equity	12.00%	6.6%
Real Estate	10.00%	3.8%
Value Added Fixed Income	10.00%	3.8%
Timber/Natural Resources	4.00%	3.4%
Total	<u>100.00%</u>	

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.

FLLAC EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

D. PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the State’s proportionate share of the net pension liability associated with the Collaborative 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-percent-point lower (6.35 percent) or 1-percent-point higher (8.35 percent) than the current rate:

	1% Decrease to 6.35%	Current Discount Rate 7.35%	1% Increase to 8.35%
State’s proportionate share of the net pension liability with the Collaborative	\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

E. RELATED PARTY TRANSACTIONS

The Collaborative rents classroom space from member municipalities at several locations using a one year Space Use Agreement. Rent expense for these locations was \$272,983 for the year ended June 30, 2019.

F. CONTINGENCIES

In the normal course of operations, the Collaborative may be subject to certain claims and litigations. In the opinion of management, the outcome of any such matters will not have a material effect on the financial position of the Collaborative.

G. COMMITMENTS

The Collaborative leases office space under an operating lease which expires in November 2021. Lease payments were \$31,561 for the year ended June 30, 2019.

The Collaborative leases classroom space from member municipalities, which are considered related parties, under operating leases which expire at various times through June, 2024. Lease expense was \$272,983 and the year ended June 30, 2019.

The Collaborative leases certain office equipment and a vehicle under operating leases which expire at various times through 2021. Lease payments were \$8,001 during the year ended June 30, 2019.

Minimum future lease payments under these leases due over the remainder of the lease terms are as follows:

Year ended June 30, 2020	\$ 548,446
2021	\$ 438,206
2022	\$ 419,452
2023	\$ 240,015
2024	\$ 224,927

FLLAC EDUCATIONAL COLLABORATIVE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

H. CUMULATIVE SURPLUS

The following is the calculation for the cumulative surplus as of June 30, 2019 which exceeds the 25% surplus:

<u>Cumulative surplus calculation</u>		<u>Values</u>	<u>Financial statements</u>
Voted cumulative surplus as of 6/30/18	(A)	\$ 1,914,110	Pg. 9
Amount of (A) use to support the FY19 budget	(B1)		
Amount of (A) returned to member districts	(B2)	(136,556)	Pg. 9
Unexpended FY18 general funds	(C)	<u>1,079,502</u>	Pg. 9
Cumulative surplus as of 6/30/19	(D)	<u>2,857,056</u>	Pg. 9
FY19 total general fund expenditures	(E)	7,692,803	Pg. 9
FY19 cumulative surplus percentage	(D)/(E)	<u>37%</u>	
25% of cumulative surplus as of 6/30/19	(F)	<u>\$ 1,923,201</u>	
Excess over 25% of surplus	(F) – (D)	<u>(933,855)</u>	

I. SUBSEQUENT EVENTS

The Collaborative has evaluated the financial statement impact of subsequent events occurring through December 4, 2019, the date the financial statements were available to be issued. The management of the Collaborative is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

FLLAC EDUCATIONAL COLLABORATIVE
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019
(Unaudited)

Massachusetts State Employees' Retirement System

<u>Fiscal year</u>	<u>Measurement date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2019	June 30, 2018	\$ 110,644	\$ 110,644	\$ -	\$ 1,813,836	6.1%
June 30, 2018	June 30, 2017	\$ 96,502	\$ 96,502	\$ -	\$ 1,582,000	6.1%

Massachusetts Teachers' Retirement System

<u>Fiscal year</u>	<u>Measurement date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>
June 30, 2019	June 30, 2018	\$ 579,452	\$ 579,452	\$ -
June 30, 2018	June 30, 2017	\$ 558,122	\$ 558,122	\$ -



DUBE & HAZELWOOD, P.C.

Certified Public Accountants

Independent Auditors Report on Internal Controls Over Financial Reporting And on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of the
FLLAC Education Collaborative
Shirley, MA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of FLLAC Education Collaborative, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the FLLAC Education Collaborative's basic financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FLLAC Education 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FLLAC Education Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of FLLAC Education 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 the FLLAC Education 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dub & Hazelwood, P.C.

Leominster, MA
December 4, 2019

**FLLAC EDUCATION COLLABORATIVE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

CURRENT YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2019 – 1

Causes of Condition: Reconciliation and closing process over balance sheet accounts do not appear to be consistent.

Recommendation: We recommend that a closing process be implemented that requires all of the balance sheet accounts be reconciled to supporting statements and subsidiary ledgers. Additional, that management perform a thorough and detailed review of the financial statements and supporting schedules.

Responses: *The Executive Director has initiated a quarterly review process this year to identify items that have not cleared, and determine resolution with the Business Manager.*

Finding 2019 – 2

Causes of Condition: Transactions were recorded to a prior period after the bank reconciliations were completed as of year-end.

Recommendation: We recommend that all transactions are recorded in the proper period prior to the bank reconciliation process being completed.

Responses: *Treasurer will review all bank reconciliations for completeness.*

Finding 2019 – 3

Causes of Condition: Reconciliation and closing process over credit card transactions do not appear consistent.

Recommendation: We recommend that each credit card transaction be posted individually and not grouped. As some transactions are recorded in the incorrect period as a result of the current process. We also recommend a closing process be implemented that required the credit card statement to tie out to the general ledger balance at year-end.

Responses: *The Collaborative reorganized and added a part time Accounts Payable clerk whose responsibilities include timely reconciliation of credit card transactions.*

Finding 2019 – 4

Causes of Condition: Deferred revenue accounts contained transactions that were not in fact payments received before year-end.

Recommendation: We recommend that deferred revenue transactions are inspected at year-end to ensure all transactions were payments received before year-end pertaining to the next fiscal year.

Responses: *The Business Manager will run and close the Trial Balance by July 30th each year to catch items keyed incorrectly.*

Finding 2019 – 5

Causes of Condition: Accounts receivable account contained credit balances at year-end.

Recommendation: We recommend that the accounts receivable aging report is inspected at year-end to ensure all credit balances are properly reimbursed to the district.

Responses: *The aging report will be reviewed quarterly with balance sheet accounts (see 2019-1) to identify and clear credit balances.*

PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2018-1 Implemented 2019.

Finding 2018 -2 Still open see finding 2019-1.