

November 12, 2019

To the Board of Directors
Shore Educational Collaborative

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, the major fund, and the aggregate remaining fund information of Shore Educational Collaborative (the "Collaborative") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 26, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Collaborative are described in Note A to the financial statements. During the fiscal year ended June 30, 2019, the Collaborative adopted the following Governmental Accounting Standards Board ("GASB") pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes accounting and financial reporting standards for legal obligations to retire certain capital assets such as decommissioning nuclear power plants and removing sewage treatment plants.. The adoption of GASB No. 83 does not have any impact on the Collaborative's financial statements.
- GASB Statement No. 84, *Fiduciary Activities*. This statement clarifies when a government has fiduciary responsibility and is required to present fiduciary fund financial statements. The adoption of GASB No. 84 does not have any impact on the Collaborative's financial statements.
- GASB Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowing and Direct Placements*. This statement is expected to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. GASB No. 88 defines "debt" for note disclosure as: a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Collaborative has included the additional required disclosures from this GASB in Notes H and N in the audited financial statements. The adoption of this GASB did not have a significant effect on the Collaborative.

No other new accounting policies were adopted and the application of other existing policies was not changed during fiscal 2019. We noted no transactions entered into by the Collaborative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Collaborative's financial statements were:

Management's estimate of the depreciable lives and estimated residual value of the capital assets is based on historical usage of the capital assets and an analysis of their remaining usability.

Management's estimate of the liability of other postemployment benefits is based on an actuarial valuation of its obligation which included actuarial assumptions of a discount rate, healthcare trend rates, general inflation rate, annual compensation increases, and mortality rates.

Management's estimate of the fair value of the cash flow hedge related to the interest rate swap on a bond payable is based on a market-to-market valuation which estimates the net present value of the expected cash flows between the parties to the swap agreement, using relevant mid-market data inputs based on the assumption of no unusual market conditions or forced liquidation and does not include an assessment of nonperformance risk.

Management's allocation of costs to programs and general and administrative expenses.

Management's estimate of pension on-behalf payments is based on the audited pension plan financial statements issued by the retirement systems for the Massachusetts Teachers' Retirement Plan and the Massachusetts State Employees' Retirement Plan.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the bonds payable in Note N to the financial statements due to the materiality of the bonds payable
- The disclosure of the other postemployment benefits liability in Note O to the financial statements due to the materiality of the unfunded other postemployment benefits liability.
- The disclosure of the Collaborative's proportionate share of the net pension liability for the Massachusetts Teachers' Retirement Plan and the Massachusetts State Employees' Retirement Plan in Note L to the financial statements.

- The disclosure of the prior period adjustment to the statement of net position related to changing the measurement date for the other postemployment benefits liability in Note R to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the attached schedule labeled "Adjusting Journal Entries Report" shows all the material misstatements detected as a result of audit procedures and that were corrected by management. The net effect of these misstatements on the statement of revenues, expenditures and changes in fund balances - governmental funds is an increase in fund balances of \$80,460. The net effect of these misstatements on the statement of activities is an increase in net position of \$80,460. Furthermore, the attached schedule labeled "Reclassifying Journal Entries Report" shows the material reclassifications that needed to be made to convert the government-wide financial statements to the fund financial statements. The net effect of these reclassifications totaled \$2,036.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Collaborative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Auditors' Report - Emphasis of a Matter

We added an emphasis of a matter paragraph to our auditors' report. The paragraph was added due to a prior-period adjustment that needed to be made to the Collaborative's beginning net position. The adjustment resulted from changing the measurement date of the Collaborative's net other postemployment benefits liability. The wording of the emphasis of a matter paragraph is as follows:

As discussed in Note R to the financial statements, the Collaborative changed the measurement date used to determine its net other postemployment benefits liability during the current fiscal year. Accordingly, the amount reported for net position on the Government-Wide Statement of Activities has been restated to reflect the new measurement date. Our opinion is not modified with respect to this matter.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Collaborative's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Massachusetts Department of Elementary and Secondary Education (DESE) required supplementary information, budgetary comparison information, schedule of the changes in the Collaborative's net OPEB liability and related ratios for the Retiree Health Insurance Plan, schedule of the Collaborative's contributions to the Retiree Health Insurance Plan, Schedule of investment returns for the Retiree Health Insurance Plan, schedules of the Collaborative's proportionate share of the net pension liability for the Massachusetts Teachers' Retirement System (MTRS) and the Massachusetts State Employees' Retirement System (MSERS) and schedules of the Collaborative's contributions to the MTRS and MSERS, which are required supplementary information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Collaborative and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Livingston + Haynes, P.C.

Livingston & Haynes, P.C.

Client: **SHO6002 - Shore Educational Collaborative**
 Engagement: **AUD2019 - Shore Educational Collaborative**
 Trial Balance: **1001.01 - TB**
 Workpaper: **132.04 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit	P&L Effect
Adjusting Journal Entries JE # 1					
CLIENT DO NOT MAKE - To reverse other income.					
3900-000636	OTHER INCOME		4,200.00		
3900-000636	OTHER INCOME		56,471.00		
3900-000636	OTHER INCOME		484,745.00		
5511-000105	COMPUTER EQUIPMENT RENTAL			3,764.00	
5511-000110	COMPUTER EQUIPMENT RENTAL			4,104.00	
5511-000110	COMPUTER EQUIPMENT RENTAL			18,334.00	
5511-000120	COMPUTER EQUIPMENT RENTAL			4,200.00	
5511-000120	COMPUTER EQUIPMENT RENTAL			10,123.00	
5511-000140	COMPUTER EQUIPMENT RENTAL			10,123.00	
5511-000305	COMPUTER EQUIPMENT RENTAL			5,514.00	
5511-000315	COMPUTER EQUIPMENT RENTAL			14,533.00	
5511-000325	COMPUTER EQUIPMENT RENTAL			705.00	
5511-000405	COMPUTER EQUIPMENT RENTAL			4,522.00	
5511-000636	COMPUTER EQUIPMENT RENTAL			3,083.00	
5511-000636	COMPUTER EQUIPMENT RENTAL			466,411.00	
Total			<u><u>645,416.00</u></u>	<u><u>645,416.00</u></u>	-
Adjusting Journal Entries JE # 2					
CLIENT DO NOT MAKE - To eliminate interest expense.					
3950-000637	RENTAL INCOME		290,000.00		
6120-000105	INTEREST EXPENSE			100,000.00	
6120-000110	INTEREST EXPENSE			30,000.00	
6120-000305	INTEREST EXPENSE			72,500.00	
6120-000315	INTEREST EXPENSE			72,500.00	
6120-000636	INTEREST EXPENSE			15,000.00	
Total			<u><u>290,000.00</u></u>	<u><u>290,000.00</u></u>	-
Adjusting Journal Entries JE # 3					
CLIENT DO NOT MAKE - To eliminate rent expense.					
3950-000637	RENTAL INCOME		282,500.00		
5000-000105	RENT			97,500.00	
5000-000110	RENT			30,000.00	
5000-000305	RENT			70,000.00	
5000-000315	RENT			70,000.00	
5000-000636	RENT			15,000.00	
Total			<u><u>282,500.00</u></u>	<u><u>282,500.00</u></u>	-
Adjusting Journal Entries JE # 4					
To accrue additional L&H fee.					
4810-000636	ACCOUNTING/AUDITING		1,750.00		
2170-000000	ACCRUED LEGAL & ACCOUNTING	4401.01		1,750.00	
Total			<u><u>1,750.00</u></u>	<u><u>1,750.00</u></u>	1,750.00
Adjusting Journal Entries JE # 5					
To reclass swap as liability.					
1450-000000	ACC. FAIR VALUE INTEREST SWAP		29,793.00		
2198-000000	ACC. FAIR VALUE INTEREST SWAP		29,793.00		

Client: **SHO6002 - Shore Educational Collaborative**
 Engagement: **AUD2019 - Shore Educational Collaborative**
 Trial Balance: **1001.01 - TB**
 Workpaper: **132.04 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit	P&L Effect
1451-000000	INTEREST RATE SWAP ASSET			29,793.00	
2195-000000	INTEREST RATE SWAP			29,793.00	
Total			59,586.00	59,586.00	-
Adjusting Journal Entries JE # 6		121.04			
To record current portion of LTD.					
2142-000002	CURRENT PORTION - BONDS PAYABLE		283,708.00		
2142-000001	CURRENT PORTION - BONDS PAYABLE			283,708.00	
Total			283,708.00	283,708.00	-
Adjusting Journal Entries JE # 7		5004.01			
CLIENT DO NOT MAKE - To allocate interest to the programs.					
6120-000105	INTEREST EXPENSE		94,067.00		
6120-000110	INTEREST EXPENSE		53,752.00		
6120-000305	INTEREST EXPENSE		48,377.00		
6120-000315	INTEREST EXPENSE		48,377.00		
6120-000510	INTEREST EXPENSE		10,750.00		
6120-000636	INTEREST EXPENSE		26,877.00		
6120-000637	INTEREST EXPENSE			282,200.00	
Total			282,200.00	282,200.00	-
Adjusting Journal Entries JE # 8		5004.01			
To reclass misposting.					
6060-000120	MISC. EXPENSES		7.00		
6120-000120	INTEREST EXPENSE			7.00	
Total			7.00	7.00	-
Adjusting Journal Entries JE # 9		2606.01			
To record Medicaid billing receivable					
1103-000000	MEDICAID BILLING RECEIVABLE		35,751.00		
3000-000450	CITY			35,751.00	
Total			35,751.00	35,751.00	(35,751.00)
Adjusting Journal Entries JE # 10		6112.01			
To record on behalf payments					
4900-000636	TEACHER RETIRE ON BEHALF PAYMT		1,509,852.00		
4910-000636	STATE RETIRE ON BEHALF PAYMT		2,206,690.00		
3900-000900	ON BEHALF PAYMENTS			3,716,542.00	
Total			3,716,542.00	3,716,542.00	-
Adjusting Journal Entries JE # 11		3203.01			
To adjust depreciation.					
1521-000000	ACC. DEPREC. - LEASEHOLD IMPR.		350.00		
5611-000000	DEPRECIATION LEASE IMPROVEMENT			350.00	
Total			350.00	350.00	(350.00)
Adjusting Journal Entries JE # 12		4101.01			
CLIENT DO NOT MAKE - To reclass mass retirement w/h to A/P to be comparative to the prior year.					
2156-000803	MASS. RETIREMENT W/H		88,592.00		
2156-000605	MASS. RETIREMENT W/H		56,673.00		
2000-000000	ACCOUNTS PAYABLE			146,265.00	
Total			146,265.00	146,265.00	-
Adjusting Journal Entries JE # 13		4404.01			
To correct Matthew Perry's non prepaid health insurance.					

Client: **SHO6002 - Shore Educational Collaborative**
 Engagement: **AUD2019 - Shore Educational Collaborative**
 Trial Balance: **1001.01 - TB**
 Workpaper: **132.04 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit	P&L Effect
2154-000606	HEALTH INSURANCE W/H		1,676.00		
4600-000120	MEDICAL INSURANCE			1,676.00	
Total			<u>1,676.00</u>	<u>1,676.00</u>	(1,676.00)
Adjusting Journal Entries JE # 14		4406.01			
To agree retiree expense to change in liability account.					
2182-000649	RETIREE INSURANCE		5,771.00		
4600-000636	MEDICAL INSURANCE			5,771.00	
Total			<u>5,771.00</u>	<u>5,771.00</u>	(5,771.00)
Adjusting Journal Entries JE # 15		4406.01			
To remove deferred outflow.					
2182-000649	RETIREE INSURANCE		72,561.00		
1452-000000	DEFERRED OUTFLOW - OPEB			72,561.00	
Total			<u>72,561.00</u>	<u>72,561.00</u>	-
Adjusting Journal Entries JE # 16		4406.01			
To record prior period adjustment.					
2900-000000	GENERAL FUND BALANCE		797,084.00		
2182-000649	RETIREE INSURANCE			797,084.00	
Total			<u>797,084.00</u>	<u>797,084.00</u>	-
Adjusting Journal Entries JE # 17		4406.01			
CLIENT ENTRY - To record current year OPEB entries					
1452-000000	DEFERRED OUTFLOW - OPEB		220,358.00		
2182-000649	RETIREE INSURANCE		33,160.00		
2182-000649	RETIREE INSURANCE		664,528.00		
2197-000000	DEFERRED INFLOW-OPEB LIABILITY		149,767.00		
1452-000000	DEFERRED OUTFLOW - OPEB			31,480.00	
2182-000649	RETIREE INSURANCE			118,287.00	
2197-000000	DEFERRED INFLOW-OPEB LIABILITY			884,886.00	
4650-000105	RETIREE INSURANCE EXPENSE			4,145.00	
4650-000110	RETIREE INSURANCE EXPENSE			4,145.00	
4650-000120	RETIREE INSURANCE EXPENSE			4,145.00	
4650-000140	RETIREE INSURANCE EXPENSE			4,145.00	
4650-000305	RETIREE INSURANCE EXPENSE			4,145.00	
4650-000315	RETIREE INSURANCE EXPENSE			4,145.00	
4650-000325	RETIREE INSURANCE EXPENSE			4,145.00	
4650-000636	RETIREE INSURANCE EXPENSE			4,145.00	
Total			<u>1,067,813.00</u>	<u>1,067,813.00</u>	(33,160.00)
Adjusting Journal Entries JE # 18		4502.00			
To remove a terminated employee from the accrual.					
2110-000000	ACCRUED SALARIES		5,002.00		
2120-000000	ACCRUED FRINGE BENEFITS		500.00		
4010-000305	DIRECT CARE SALARIES			5,002.00	
4520-000305	UNEMPLOYMENT			15.00	
4530-000305	WORKERS COMP			70.00	
4540-000305	COBRA EMPLOYER			72.00	
4600-000305	MEDICAL INSURANCE			300.00	
4610-000305	DISABILITY INSURANCE			13.00	
4620-000305	GENERAL LIABILITY INSURANCE			30.00	
Total			<u>5,502.00</u>	<u>5,502.00</u>	(5,502.00)
Adjusting Journal Entries JE # 19					
To reclass accrued expenses.					
2400-000000	DEFERRED INCOME		609.00		
2100-000000	ACCRUED EXPENSES			609.00	
Total			<u>609.00</u>	<u>609.00</u>	-

Client: **SHO6002 - Shore Educational Collaborative**
 Engagement: **AUD2019 - Shore Educational Collaborative**
 Trial Balance: **1001.01 - TB**
 Workpaper: **132.04 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit	P&L Effect
Adjusting Journal Entries JE # 20		5404.01			
To record encumbrances.					
2900-000000	GENERAL FUND BALANCE		317,335.00		
2900-000050	ENCUMBRANCES - ADULT DAY PROGRAM			94,576.00	
2900-000075	ENCUMBRANCES - FRINGE BENEFITS			219,237.00	
2900-000076	ENCUMBRANCES - OTHER PURPOSES			3,522.00	
Total			<u><u>317,335.00</u></u>	<u><u>317,335.00</u></u>	-
Adjusting Journal Entries JE # 34					
CLIENT DO NOT MAKE - To close out P&L.					
2999-000000	P&L Summary		158,283.00		
2999-999999	NET INCOME OFFSET			158,283.00	
Total			<u><u>158,283.00</u></u>	<u><u>158,283.00</u></u>	-
Adjusting Journal Entries JE # 35					
CLIENT DO NOT MAKE - To reclass restricted cash to restricted fund.					
2900-000000	GENERAL FUND BALANCE		1,795,162.00		
2238-000000	RESERVE FOR RESTRICTED CASH			1,795,162.00	
Total			<u><u>1,795,162.00</u></u>	<u><u>1,795,162.00</u></u>	-
					(80,460.00)

(A) - These entries are considered material.

Client: **SH06002 - Shore Educational Collaborative**
 Engagement: **AUD2019 - Shore Educational Collaborative**
 Trial Balance: **1001.01 - TB**
 Workpaper: **132.03 - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit	P&L Effect
Reclassifying Journal Entries JE # 21		2600.01			
To match prepaid expenses.					
2601-00000	RESERVE FOR PREPAID EXP & OTHE		6,646.00		
2900-00000	GENERAL FUND BALANCE			6,646.00	
Total			<u>6,646.00</u>	<u>6,646.00</u>	-
Reclassifying Journal Entries JE # 22					
To record correct amount of LTD.					
2900-00000	GENERAL FUND BALANCE		276,089.00		
1700-00000	AMOUNT PROVIDED FOR LTD			276,089.00	
Total			<u>276,089.00</u>	<u>276,089.00</u>	-
Reclassifying Journal Entries JE # 23					
To record debt service through interest expense and payments on bonds payable.					
9500-00000	DEBT SERVICE		558,289.00		
2900-00000	GENERAL FUND BALANCE			276,089.00	
6120-000105	INTEREST EXPENSE			94,067.00	
6120-000110	INTEREST EXPENSE			53,752.00	
6120-000305	INTEREST EXPENSE			48,377.00	
6120-000315	INTEREST EXPENSE			48,377.00	
6120-000510	INTEREST EXPENSE			10,750.00	
6120-000636	INTEREST EXPENSE			26,877.00	
Total			<u>558,289.00</u>	<u>558,289.00</u>	276,089.00 (A)
Reclassifying Journal Entries JE # 24					
To eliminate long-term liability.					
1701-00000	AMOUNT PROVIDED FOR OPEB		613,372.00		
1702-00000	AMT. PROVD FOR OPEB DEF INFLOW		735,119.00		
2602-00000	INVESTMENT IN OPEB			188,878.00	
2900-00000	GENERAL FUND BALANCE			724,523.00	
4650-00000	RETIREE INSURANCE EXPENSE			435,090.00	
Total			<u>1,348,491.00</u>	<u>1,348,491.00</u>	(435,090.00) (A)
Reclassifying Journal Entries JE # 25					
To eliminate deferred outflow.					
2602-00000	INVESTMENT IN OPEB		72,561.00		
2900-00000	GENERAL FUND BALANCE			72,561.00	
Total			<u>72,561.00</u>	<u>72,561.00</u>	-
Reclassifying Journal Entries JE # 26					
To reclass general fixed assets.					
2900-00000	GENERAL FUND BALANCE		156,965.00		
2600-00000	INVESTMENT IN GEN FIXED ASSETS			156,965.00	
Total			<u>156,965.00</u>	<u>156,965.00</u>	-
Reclassifying Journal Entries JE # 27					
To eliminate depreciation per GASB					
2900-00000	GENERAL FUND BALANCE		388,452.00		
5610-00000	DEPRECIATION FIXED ASSETS			60,088.00	
5611-00000	DEPRECIATION LEASE IMPROVEMENT			16,751.00	
5614-00000	DEPRECIATION ON BUILDING			150,152.00	
5615-00000	DEPRECIATION ON BUILD IMPROVEM			139,652.00	
5618-00000	DEPRECIATION ON LAND IMPROVEM			21,809.00	
Total			<u>388,452.00</u>	<u>388,452.00</u>	(388,452.00) (A)
Reclassifying Journal Entries JE # 28					
To record capital asset.					
9800-00000	CAPITAL ADDITIONS		545,417.00		
2900-00000	GENERAL FUND BALANCE			545,417.00	
Total			<u>545,417.00</u>	<u>545,417.00</u>	545,417.00 (A)
					(2,036.00)

Client: *SHO6002 - Shore Educational Collaborative*
Engagement: *AUD2019 - Shore Educational Collaborative*
Trial Balance: *1001.01 - TB*
Workpaper: *132.03 - Reclassifying Journal Entries Report*

<u>Account</u>	<u>Description</u>	<u>WIP Ref</u>	<u>Debit</u>	<u>Credit</u>	<u>P&L Effect</u>
Ⓜ - These entries are considered material.					