

December 23, 2021

To the Board of Directors
Shore Educational Collaborative

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shore Educational Collaborative (the "Collaborative") for the year ended June 30, 2021. 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 25, 2021. 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, 2021, the Collaborative adopted the following Governmental Accounting Standards Board ("GASB") pronouncement:

- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. This statement clarifies whether a majority equity interest should be reported as an investment or as a component unit. The adoption of GASB No. 90 does not have any impact on the Collaborative's financial statements.

No other new accounting policies were adopted and the application of other existing policies was not changed during fiscal 2021. 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 allowance for doubtful accounts for accounts receivable which is based on historical loss levels and an analysis of the collectability of individual accounts.

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 and in Note R the disclosure of the bond covenant violation
- 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 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. The attached schedule labeled "Passed Journal Entries Report" summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. 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 a decrease in fund balances of \$1,057,997. The net effect of these misstatements on the statement of activities is a decrease in net position of \$1,057,997. 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 \$789,347.

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 December 23, 2021.

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.

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

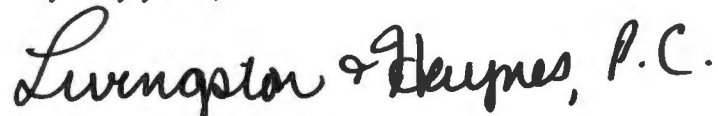
We applied certain limited procedures to the Management's Discussion and Analysis, Massachusetts Department of Elementary and Secondary Education (DESE) required

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,

A handwritten signature in cursive script that reads "Livingston & Haynes, P.C.".

Livingston & Haynes, P.C.

Client: **SHO6002 - Shore Educational Collaborative**
 Engagement: **AUD2021 - Shore Educational Collaborative**
 Period Ending: **6/30/2021**
 Trial Balance: **1001.01 - TB**
 Workpaper: **514.01 - Passed Journal Entries Report**

514.01

Account	Description	W/P Ref	Debit	Credit	P&L Effect
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Passed Journal Entries JE # 8

To agree to payments made for retirees.

4650-000636	RETIREE INSURANCE EXPENSE		19,284.00		
2182-000649	RETIREE INSURANCE			19,284.00	19,284.00
Total			<u>19,284.00</u>	<u>19,284.00</u>	<u>19,284.00</u>
					M, pass

Client: **SH06002 - Shore Educational Collaborative**
 Engagement: **AUD2021 - 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					
To reclass fixed assets.					
1530-00000	FIXED ASSETS		33,231.00		
1530-000105	FIXED ASSETS			2,492.00	
1530-000110	FIXED ASSETS			8,308.00	
1530-000120	FIXED ASSETS			8,308.00	
1530-000140	FIXED ASSETS			8,308.00	
1530-000305	FIXED ASSETS			2,492.00	
1530-000315	FIXED ASSETS			2,492.00	
1530-000405	FIXED ASSETS			831.00	
Total			<u><u>33,231.00</u></u>	<u><u>33,231.00</u></u>	-
Adjusting Journal Entries JE # 2					
To reclass supplies					
5200-000510	FOOD/KITCHEN EXPENSES		200.00		
6040-000105	OFFICE SUPPLIES & EXPENSE		47.00		
6040-000305	OFFICE SUPPLIES & EXPENSE		47.00		
6040-000315	OFFICE SUPPLIES & EXPENSE		47.00		
3000-000510	CITY			200.00	
6050-000105	MISC. SUPPLIES			47.00	
6050-000305	MISC. SUPPLIES			47.00	
6050-000315	MISC. SUPPLIES			47.00	
Total			<u><u>341.00</u></u>	<u><u>341.00</u></u>	-
Adjusting Journal Entries JE # 3					
CLIENT DO NOT MAKE - To reclass COVID-19 expenses.					
5410-000105	MED/PHARM SUPPLIES		39,044.00		
5410-000305	MED/PHARM SUPPLIES		37,686.00		
5410-000315	MED/PHARM SUPPLIES		37,686.00		
5410-000325	MED/PHARM SUPPLIES		99,015.00		
6060-000105	MISC. EXPENSES			39,044.00	
6060-000305	MISC. EXPENSES			37,686.00	
6060-000315	MISC. EXPENSES			37,686.00	
6060-000325	MISC. EXPENSES			99,015.00	
Total			<u><u>213,431.00</u></u>	<u><u>213,431.00</u></u>	-
Adjusting Journal Entries JE # 4					
To adjust interest rate swap.					
2195-000000	INTEREST RATE SWAP		274,294.00		
1450-000000	ACC. FAIR VALUE INTEREST SWAP			274,294.00	
Total			<u><u>274,294.00</u></u>	<u><u>274,294.00</u></u>	-
Adjusting Journal Entries JE # 5					
To record onbehalf payments.					
4900-000636	TEACHER RETIRE ON BEHALF PAYMT		2,589,637.00		
4910-000636	STATE RETIRE ON BEHALF PAYMT		3,401,100.00		
3900-000900	ON BEHALF PAYMENTS			2,589,637.00	
3900-000900	ON BEHALF PAYMENTS			3,401,100.00	
Total			<u><u>5,990,737.00</u></u>	<u><u>5,990,737.00</u></u>	-
Adjusting Journal Entries JE # 6					
To record OPEB Liability.					
1452-000000	DEFERRED OUTFLOW - OPEB		739,452.00		
2182-000649	RETIREE INSURANCE		64,563.00		
2197-000000	DEFERRED INFLOW-OPEB LIABILITY		168,404.00		
4650-000105	RETIREE INSURANCE EXPENSE		46,571.00		
4650-000110	RETIREE INSURANCE EXPENSE		13,736.00		
4650-000120	RETIREE INSURANCE EXPENSE		30,935.00		
4650-000140	RETIREE INSURANCE EXPENSE		34,887.00		
4650-000243	RETIREE INSURANCE EXPENSE		3,631.00		
4650-000305	RETIREE INSURANCE EXPENSE		16,742.00		
4650-000315	RETIREE INSURANCE EXPENSE		21,933.00		
4650-000325	RETIREE INSURANCE EXPENSE		26,324.00		
4650-000405	RETIREE INSURANCE EXPENSE		5,665.00		
4650-000450	RETIREE INSURANCE EXPENSE		6,155.00		
4650-000636	RETIREE INSURANCE EXPENSE		25,196.00		
4650-000636	RETIREE INSURANCE EXPENSE		137,839.00		

Client: **SHO6002 - Shore Educational Collaborative**
 Engagement: **AUD2021 - 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
1452-00000	DEFERRED OUTFLOW - OPEB			137,839.00	
2182-000649	RETIREE INSURANCE			231,775.00	
2182-000649	RETIREE INSURANCE			739,452.00	
2197-000000	DEFERRED INFLOW-OPEB LIABILITY			64,563.00	
4650-000636	RETIREE INSURANCE EXPENSE			168,404.00	
Total			1,342,033.00	1,342,033.00	201,210.00 (A)

Adjusting Journal Entries JE # 7
To reclass health insurance.

4650-000105	RETIREE INSURANCE EXPENSE		4,504.00		
4650-000110	RETIREE INSURANCE EXPENSE		1,328.00		
4650-000120	RETIREE INSURANCE EXPENSE		2,992.00		
4650-000140	RETIREE INSURANCE EXPENSE		3,374.00		
4650-000243	RETIREE INSURANCE EXPENSE		351.00		
4650-000305	RETIREE INSURANCE EXPENSE		1,619.00		
4650-000315	RETIREE INSURANCE EXPENSE		2,121.00		
4650-000325	RETIREE INSURANCE EXPENSE		2,546.00		
4650-000405	RETIREE INSURANCE EXPENSE		548.00		
4650-000450	RETIREE INSURANCE EXPENSE		595.00		
4650-000636	RETIREE INSURANCE EXPENSE		2,437.00		
4600-000105	MEDICAL INSURANCE			4,504.00	
4600-000110	MEDICAL INSURANCE			1,328.00	
4600-000120	MEDICAL INSURANCE			2,992.00	
4600-000140	MEDICAL INSURANCE			3,374.00	
4600-000243	MEDICAL INSURANCE			351.00	
4600-000305	MEDICAL INSURANCE			1,619.00	
4600-000315	MEDICAL INSURANCE			2,121.00	
4600-000325	MEDICAL INSURANCE			2,546.00	
4600-000405	MEDICAL INSURANCE			548.00	
4600-000450	MEDICAL INSURANCE			595.00	
4600-000636	MEDICAL INSURANCE			2,437.00	
Total			22,415.00	22,415.00	-

Adjusting Journal Entries JE # 9 4408.01
To adjust dental w/h.

4601-000105	DENTAL INSURANCE		2,256.00		
4601-000305	DENTAL INSURANCE		717.00		
4601-000315	DENTAL INSURANCE		908.00		
4601-000325	DENTAL INSURANCE		1,006.00		
4601-000405	DENTAL INSURANCE		180.00		
2167-000628	DENTAL INSURANCE W/H			5,067.00	
Total			5,067.00	5,067.00	5,067.00

Adjusting Journal Entries JE # 11 4402.01
To accrue interest.

6120-000637	INTEREST EXPENSE		11,101.00		
2100-000000	ACCRUED EXPENSES			11,101.00	
Total			11,101.00	11,101.00	11,101.00

Adjusting Journal Entries JE # 12 4401.01
To accrue additional amount for audit.

4810-000636	ACCOUNTING/AUDITING		2,200.00		
2170-000000	ACCRUED LEGAL & ACCOUNTING			2,200.00	
Total			2,200.00	2,200.00	2,200.00

Adjusting Journal Entries JE # 13
To reclass Teacher's Retirement payment.

2153-000602	TEACHER'S RETIREMENT W/H		64,586.00		
2000-000000	ACCOUNTS PAYABLE			64,586.00	
Total			64,586.00	64,586.00	-

Adjusting Journal Entries JE # 14 2606.02
To record additional Medicaid billing receivable.

1103-000000	MEDICAID BILLING RECEIVABLE		8,885.00		
3000-000450	CITY			8,885.00	
Total			8,885.00	8,885.00	(8,885.00)

Adjusting Journal Entries JE # 15 3201.01
To record depreciation.

5610-000000	DEPRECIATION FIXED ASSETS		107,311.00		
5611-000000	DEPRECIATION LEASE IMPROVEMENT		91,113.00		
5614-000000	DEPRECIATION ON BUILDING		150,152.00		
5615-000000	DEPRECIATION ON BUILD IMPROVEM		140,328.00		
5618-000000	DEPRECIATION ON LAND IMPROVEM		21,809.00		
1521-000000	ACC. DEPREC. - LEASEHOLD IMPR.			91,113.00	
1531-000000	ACC. DEPR. ON FIXED ASSETS			107,311.00	
1601-000000	ACC. DEPREC. - BUILDING			150,152.00	

Client: **SH06002 - Shore Educational Collaborative**
 Engagement: **AUD2021 - 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
1611-000000	ACC. DEPREC. - BUILDING IMPROV			140,328.00	
1631-000000	ACC. DEPREC. - LAND IMPROVEMENT			21,809.00	
Total			<u>510,713.00</u>	<u>510,713.00</u>	510,713.00 (A)
Adjusting Journal Entries JE # 16		3204.01			
To record loss on disposal of fixed assets.					
9502-000000	LOSS ON DISPOSAL OF FIXED ASSETS		20,085.00		
1522-000000	CONSTRUCTION IN PROCESS			20,085.00	
Total			<u>20,085.00</u>	<u>20,085.00</u>	20,085.00
Adjusting Journal Entries JE # 29		5404.01			
To record encumbrances.					
2900-000000	GENERAL FUND BALANCE		280,214.00		
2900-000050	ENCUMBRANCES - ADULT DAY PROGRAM			112,628.00	
2900-000075	ENCUMBRANCES - FRINGE BENEFITS			65,999.00	
2900-000076	ENCUMBRANCES - OTHER PURPOSES			101,587.00	
Total			<u>280,214.00</u>	<u>280,214.00</u>	-
Adjusting Journal Entries JE # 30					
To reclass interest expense.					
6040-000120	OFFICE SUPPLIES & EXPENSE		10.00		
6120-000120	INTEREST EXPENSE			10.00	
Total			<u>10.00</u>	<u>10.00</u>	-
Adjusting Journal Entries JE # 31		5004.01			
To allocate interest expense to the programs.					
6120-000105	INTEREST EXPENSE		80,131.00		
6120-000110	INTEREST EXPENSE		45,789.00		
6120-000305	INTEREST EXPENSE		41,210.00		
6120-000315	INTEREST EXPENSE		41,210.00		
6120-000510	INTEREST EXPENSE		9,158.00		
6120-000636	INTEREST EXPENSE		22,895.00		
6120-000637	INTEREST EXPENSE			240,393.00	
Total			<u>240,393.00</u>	<u>240,393.00</u>	-
Adjusting Journal Entries JE # 32		121.04			
To record current portion of LTD.					
2142-000002	CURRENT PORTION - BONDS PAYABLE		233,236.00		
2142-000001	CURRENT PORTION - BONDS PAYABLE			233,236.00	
Total			<u>233,236.00</u>	<u>233,236.00</u>	-
Adjusting Journal Entries JE # 36					
To reclass accrued Mass retirement.					
2120-000000	ACCRUED FRINGE BENEFITS		8,977.00		
2130-000000	ACCRUED MASS RETIRE - EMPLOYER			8,977.00	
Total			<u>8,977.00</u>	<u>8,977.00</u>	-
Adjusting Journal Entries JE # 37		2301.01			
To record bad debt write-offs					
4860-000636	BAD DEBT EXPENSE		16,506.00		
1100-000000	ACCOUNTS RECEIVABLE			16,506.00	
Total			<u>16,506.00</u>	<u>16,506.00</u>	16,506.00
Adjusting Journal Entries JE # 38					
CLIENT DO NOT MAKE - To close out P&L.					
2999-999999	NET INCOME OFFSET		3,789,704.00		
2999-000000	P&L Summary			3,789,704.00	
Total			<u>3,789,704.00</u>	<u>3,789,704.00</u>	-
Adjusting Journal Entries JE # 39					
To record an allowance.					
4860-000636	BAD DEBT EXPENSE		300,000.00		
1106-000000	ALLOWANCE FOR DOUBTFUL ACCOUNTS			300,000.00	
Total			<u>300,000.00</u>	<u>300,000.00</u>	300,000.00 (A)
					1,057,997.00

(A) - These entries are considered material.

Client: **SH06002 - Shore Educational Collaborative**
 Engagement: **AUD2021 - 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 # 17					
To eliminate long-term liability.					
1701-000000	AMOUNT PROVIDED FOR OPEB		1,482,528.00		
1702-000000	AMT. PROVD FOR OPEB DEF INFLOW			103,841.00	
2602-000000	INVESTMENT IN OPEB			601,613.00	
4650-000000	RETIREE INSURANCE EXPENSE			777,074.00	
Total			<u>1,482,528.00</u>	<u>1,482,528.00</u>	(777,074.00) (A)
Reclassifying Journal Entries JE # 18					
To reclass general fixed assets.					
2600-000000	INVESTMENT IN GEN FIXED ASSETS		467,667.00		
2900-000000	GENERAL FUND BALANCE			467,667.00	
Total			<u>467,667.00</u>	<u>467,667.00</u>	-
Reclassifying Journal Entries JE # 20					
To adjust prepaid expenses reserve					
2601-000000	RESERVE FOR PREPAID EXP & OTHE		37,821.00		
2900-000000	GENERAL FUND BALANCE			37,821.00	
Total			<u>37,821.00</u>	<u>37,821.00</u>	-
Reclassifying Journal Entries JE # 21					
To eliminate depreciation per GASB.					
2900-000000	GENERAL FUND BALANCE		510,713.00		
5610-000000	DEPRECIATION FIXED ASSETS			107,311.00	
5611-000000	DEPRECIATION LEASE IMPROVEMENT			91,113.00	
5614-000000	DEPRECIATION ON BUILDING			150,152.00	
5615-000000	DEPRECIATION ON BUILD IMPROVEM			140,328.00	
5618-000000	DEPRECIATION ON LAND IMPROVEM			21,809.00	
Total			<u>510,713.00</u>	<u>510,713.00</u>	(510,713.00) (A)
Reclassifying Journal Entries JE # 22					
To record capital assets.					
9600-000000	CAPITAL ADDITIONS		63,131.00		
2900-000000	GENERAL FUND BALANCE			63,131.00	
Total			<u>63,131.00</u>	<u>63,131.00</u>	63,131.00
Reclassifying Journal Entries JE # 23					
To eliminate loss on disposal of CIP					
2900-000000	GENERAL FUND BALANCE		20,085.00		
9502-000000	LOSS ON DISPOSAL OF FIXED ASSETS			20,085.00	
Total			<u>20,085.00</u>	<u>20,085.00</u>	(20,085.00)
Reclassifying Journal Entries JE # 33					
To record correct amount of LTD.					
2900-000000	GENERAL FUND BALANCE		2,034,088.00		
1700-000000	AMOUNT PROVIDED FOR LTD			2,034,088.00	
Total			<u>2,034,088.00</u>	<u>2,034,088.00</u>	-
Reclassifying Journal Entries JE # 34					
To record debt service through interest expense and payments on bonds.					
9500-000000	DEBT SERVICE		2,274,481.00		
2900-000000	GENERAL FUND BALANCE			2,034,088.00	
6120-000105	INTEREST EXPENSE			80,131.00	
6120-000110	INTEREST EXPENSE			45,789.00	
6120-000305	INTEREST EXPENSE			41,210.00	
6120-000315	INTEREST EXPENSE			41,210.00	
6120-000510	INTEREST EXPENSE			9,158.00	
6120-000636	INTEREST EXPENSE			22,895.00	
Total			<u>2,274,481.00</u>	<u>2,274,481.00</u>	2,034,088.00 (A)

789,347.00

(A) - These entries are considered material.