

EDCO Collaborative

Financial Statements

For the Year Ended
June 30, 2020

EDCO Collaborative
Contents
For the Year Ended June 30, 2020

	<u>Page</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-7
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14-28
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund – Budget to Actual	29
OPEB Plan – Required Supplementary Information	30-33
Schedule of the Collaborative's Proportionate Share of Net Pension Liability	34
Schedule of Pension Contributions	35
Other Information and Reports:	
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards	37
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	38-39
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	40-41
Schedule of Findings and Questioned Costs	42-46



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
EDCO Collaborative
Bedford, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of EDCO Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise EDCO 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of EDCO Collaborative, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about EDCO Collaborative’s Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that EDCO Collaborative will continue as a going concern. As discussed in Note P to the financial statements, the Collaborative recognized a significant decrease in governmental funds during the year ended June 30, 2020, due to operating deficits, and a significantly reduced unassigned general fund balance as of June 30, 2020. These factors indicate that a substantial doubt that the Collaborative’s ability to continue as a going concern exists. Management’s evaluation of the events and conditions and management’s plans regarding those matters also are described in Note P. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information and pension schedules on pages 3-7 and 29-35 be presented to supplement the basic financial statements. Such information, although not 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.

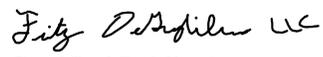
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise EDCO Collaborative’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of EDCO 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 EDCO 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 EDCO Collaborative’s internal control over financial reporting and compliance.


Certified Public Accountants
Newburyport, Massachusetts
December 11, 2020

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2020

Our discussion and analysis of EDCO Collaborative's ("EDCO") financial performance provides an overview of EDCO's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements that begin on page 8.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to EDCO's financial statements. EDCO's financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements:

The government-wide financial statements report information about EDCO as a whole using accounting methods similar to those used by private sector companies.

- The **Statement of Net Position** presents information on all of EDCO's assets and liabilities with the difference between the two reported as net position. It is one way of measuring EDCO's financial health or position.
- The **Statement of Activities** presents information showing how EDCO's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

Over time, increases or decreases in EDCO's net position is an indicator of whether its financial position is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions when evaluating the overall financial health of EDCO.

Fund Financial Statements:

Funds are accounting devices used to keep track of specific sources of funding and spending in particular categories: governmental funds, proprietary funds, and fiduciary funds. Presently, EDCO has only governmental funds.

- **Governmental funds** – EDCO's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance EDCO's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.

Notes to the Financial Statements:

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in EDCO's financial statements.

Required Supplementary 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.

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2020

Government-wide Financial Highlights

Revenue and Other Support

Revenue and other support for the fiscal year ended June 30, 2020 decreased \$1,144,261, or 10% from the prior fiscal year, excluding retirement systems on-behalf revenue. EDCO Collaborative (EDCO) recorded dividend and interest income, and realized and unrealized gains on investments of \$27,379 and \$41,926, respectively, in fiscal year 2020. The Collaborative's Federal and state grants experienced decreases in revenues as a result of declines for Title I services, while the remaining decreases are a result of declines in various programs collaborative-wide.

Expenses

Expenses for the fiscal year ended June 30, 2020 decreased \$1,751,315 or 14% from the prior fiscal year, including investment fees and interest expense and excluding other postemployment benefits expense and retirement systems on-behalf expense. While numerous programs experienced expense decreases, the Federal award programs saw a large decrease in revenue and also saw a decrease in the amount of expenses associated with the programs. The Special Education Tuition programs saw significant decreases in revenues and decreases in expenses as a result of lower attendees within its programs.

Management and general expenses decreased \$161,382 or 8%, excluding depreciation expense. The decrease was primarily from a reduction in staff salaries and wages.

Change in Net Position

EDCO Collaborative's net position decreased by approximately \$524,000 in fiscal 2020, excluding OPEB expense in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 75, compared to a decrease of \$1,131,000 in fiscal 2019. The deficit in fiscal 2020 was a result of expenses exceeding revenues during the year, primarily to large decreases to grants received for federal programs, as well as the ending of the shared services relationship with LABBB Collaborative. During fiscal 2020, EDCO Collaborative recorded increases in net retirement health benefit obligations and deferred inflows of resources required by GASB Statement No. 75 of \$156,802. Other changes in assets and liabilities are due primarily to operations in fiscal 2020.

Total Assets

Total assets as of June 30, 2020 decreased \$687,957 or 14% from June 30, 2019. Accounts receivable and unbilled revenue decreased by a combined \$463,068, primarily due to uncollected invoices being lower at June 30, 2020. Equipment and leasehold improvements increased by \$188,319, primarily due to build out and equipment related to a new Collaborative program net of depreciation expenses, while cash and investments decreased \$408,590. The majority of the changes relate to the general operations of the Collaborative.

EDCO maintains cash balances with Rockland Trust and the MMDT. Cash balances at Rockland Trust are maintained at levels that at times exceed FDIC protection. Cash balances at the MMDT are not FDIC insured. The MMDT is managed by the Massachusetts State Treasurer and Federated Investments and offers investors a stable investment option, competitive yields, low cost, liquidity, and professional management. The MMDT investment objectives are the preservation of capital, maintaining a high level of portfolio liquidity, and to attain the highest level of current income consistent with the objectives of preservation of capital and liquidity. To achieve the investment objectives, the MMDT limits investments to the highest quality U.S. dollar-denominated money market instruments of domestic and foreign issuers, U.S. government securities, and repurchase agreements. EDCO had a minimal amount invested with the MMDT during fiscal year 2020.

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2020

Government-wide Financial Highlights – (continued)

The Collaborative maintains investments in an investment account that is professionally managed by Boston Private Bank & Trust Company. As of June 30, 2020, the portfolio composition included 52% equity securities, 45% fixed income securities, and 3% cash and cash equivalents. The Collaborative manages its investments in accordance with state public finance laws that require that all moneys held in the name of the Collaborative, which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety, liquidity and yield. The Collaborative has directed Boston Private Bank & Trust Company to manage the funds in accordance with these laws. However, the investments are still subject to market risk of loss.

Net equipment and improvements increased \$188,319 in fiscal year 2020. The increase consists of equipment purchases of \$420,506 net of depreciation totaling \$232,187. Items with a minimum cost of \$5,000 are capitalized and depreciated over their useful lives, ranging from 3 to 15 years, using the straight-line method of depreciation with a half year convention.

Liabilities, Deferred Inflows of Resources and Net Position

Total liabilities, excluding net OPEB liability and deferred inflows of resources, as of June 30, 2020 decreased \$164,205 or 6% from June 30, 2019. During the year ended June 30, 2016, EDCO entered into a \$1,200,000 note payable agreement with the owner of 36 Middlesex Turnpike in Bedford, Massachusetts to finance leasehold improvements. The Collaborative has paid down the balance of the note by \$71,231 during the year ended June 30, 2020. There were small decreases in accounts payable and accrued expenses in fiscal 2020, as well as a large decrease in deferred revenues. There was an increase of \$85,000 to a balance of \$484,933 on the line of credit as of June 30, 2020, compared to a balance of \$399,933 as of June 30, 2019. Net OPEB liability and related deferred inflows of resources increased by \$156,802.

Governmental Funds Financial Highlights

The Collaborative reported a total governmental fund balance of \$593,211, of which there is a deficit of \$13,207 unassigned, \$4,350 is nonspendable, and \$602,068 is assigned for use in the Collaborative's professional development program. The fund balance decreased \$781,762 over the prior fiscal year, primarily as a result of operations. Accounts receivable and unbilled revenue decreased by a combined \$463,068. Cash and investments decreased \$408,590. Accounts payable and accrued expenses decreased by \$36,666. In addition, deferred revenue decreased by \$642,486 and line of credit increased by \$85,000.

Budgetary Highlights

EDCO's annual budget for fiscal 2020 was approved by its Board of Directors. For the fiscal year ended June 30, 2020, EDCO received revenues, excluding retirement systems on-behalf revenue, of approximately \$9,824,000 compared to budgeted revenues of approximately \$11,914,000. The difference between actual revenues received and budgeted revenues is approximately 17.5% of budgeted revenues.

For the fiscal year ended June 30, 2020, EDCO incurred expenses, excluding retirement systems on-behalf revenue, of approximately \$10,605,000 compared to budgeted expenses of approximately \$12,059,000. The difference between actual expenses incurred and budgeted expenses is approximately 12.1% of budgeted expenses. The primary differences between budgeted revenues and expenses was a drop in tuition and service revenue, and a loss of existing grant and contract revenue and their related indirect contributions, some of which was partially offset by an increase in new grants and contributions but an increase in special education services and instructional expenses.

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2020

Known Facts, Decisions, or Conditions

EDCO is a collaborative of 16 urban and suburban school districts serving the Greater Boston area and beyond, governed by a Board of Directors comprised of superintendents and school committee members representing each of our member school districts.

EDCO's range of services includes professional learning opportunities for educators; special education and alternative education programs for students with disabilities and at-risk youth; and cooperative purchasing of utilities and other items upon request.

EDCO provides professional learning programs, networking opportunities, and special projects to assist school districts in strengthening their curriculum and instruction.

EDCO offers several special education programs to meet our district's needs for programming for students with low incidence disabilities. These programs are the EDCO Program for the Deaf and Hard of Hearing, Partners Program, North Crossing Academy Therapeutic Day School, North Crossing Academy 45-Day Therapeutic Program, Academy for Career Pathways, and Center for Academic, Behavior, Character and Development (ABCD) Program.

For fiscal 2020, EDCO Collaborative kicked off the new Academy for Career Pathways Program. Due to renovation delays, the program did not officially open for enrollment until January 2020. Career Pathways is a program designed for students between 18-22 years of age.

The Center for Academic, Behavior and Character Development (ABCD Program) was a newly developed EDCO Program which started in fiscal 2020. The ABCD Program is designed to support students who have been suspended from their local educational agency (LEA) due to school code of conduct violations, substance abuse, or other suspension related offenses. The program serves students in grades 6-12. Duration in the program can be anywhere from 5 to 45 days, or longer, at LEA's request.

EDCO also provides services to youth and adults through a variety of state and federally funded programs, including the Special Education Surrogate Parent Program, Wrentham Habilitative Services, Massachusetts Migrant Education Program, and the EDCO Youth Alternative Program.

EDCO implemented GASB Statement No. 68 in fiscal year 2015. The standard relates to the accounting and financial reporting for pensions. EDCO's employees participate in the Massachusetts Teachers' (MTRS) or State Employees' Retirement System (MSERS), statewide cost-sharing multi-employer defined benefit plans public employee retirement systems (PERS) covering all employees of local school districts within the Commonwealth of Massachusetts ("the Commonwealth").

Educational collaboratives contribute amounts equal to the normal cost of employees' benefits participating in MSERS at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. The Commonwealth is a nonemployer contributor in MTRS and MSERS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68. Since the employers do not contribute directly to each system beyond the MSERS annual normal cost, there is no net pension liability to recognize. However, the notes to the financial statements must disclose the portion of the nonemployer contributing entities' share of the collective net pension liability that is associated with the employer. In addition, EDCO must recognize its portion of the collective pension expense as both revenue and pension expense.

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2020

Known Facts, Decisions, or Conditions - (continued)

EDCO implemented GASB Statement No. 75 in fiscal 2018. The Collaborative historically recorded the cost of the postemployment health benefits on a "pay as you go" basis. Under GASB Statement No. 75, the Collaborative is required to report the effects of OPEB-related transactions and events on its financial statements and to provide information about the Collaborative's OPEB obligations and the assets available to satisfy the obligations. This change significantly increased and accelerated the recording of these costs and significantly impacted the Collaborative's government-wide financials starting in fiscal year 2018. The Collaborative recorded a charge for the estimated annual cost of the program for fiscal year 2020 of \$156,802.

Beginning in March 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in overall economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Collaborative's operations and financial position. Any financial impact to the Collaborative, if any, cannot be reasonably estimated at this time. Management and the Collaborative's board of directors constantly monitor the financial and operational situation in relation to the pandemic.

Requests for Information

This financial report is designed to provide readers of the financial statements an overview of EDCO's financial activities. If you have questions in regard to this report, contact our Executive Director, Cyndy Taymore, at (617) 738-5600.

EDCO Collaborative
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 436,920
Investments	602,068
Accounts receivable, net	584,665
Unbilled receivables	586,057
Prepaid expenses	4,350
Total Current Assets	2,214,060
Non-current Assets:	
Equipment and improvements, net	1,927,126
Deposits	4,690
Total Non-current Assets	1,931,816
Total Assets	\$ 4,145,876
LIABILITIES, DEFERRED INFLOWS AND NET POSITION	
Current Liabilities:	
Current portion of note payable	\$ 111,389
Line of credit	484,933
Accounts payable	752,958
Accrued liabilities	274,483
Deferred revenue	108,475
Total Current Liabilities	1,732,238
Non-current Liabilities:	
Compensated absences	135,815
Note payable, net of current portion	552,396
Net OPEB liability	3,482,135
Total Non-current Liabilities	4,170,346
Total Liabilities	5,902,584
Deferred Inflows of Resources:	
Deferred Inflows of Resources Related to OPEB	1,345,360
Net Position:	
Invested in capital assets, net of related debt	1,263,341
Unrestricted	(4,365,409)
Restricted	-
Total Net Position	(3,102,068)
Total Liabilities, Deferred Inflows and Net Position	\$ 4,145,876

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

EDCO Collaborative
Statement of Activities
For the Year Ended June 30, 2020

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Administration	\$ 1,788,823	\$ -	\$ -	\$ -	\$ (1,788,823)
Educational and instructional	7,579,608	3,188,386	4,931,098	319,205	859,081
Professional development	723,245	654,398	-	-	(68,847)
Other Services	-	44,190	-	-	44,190
Intergovernmental revenue and expense	2,505,563	-	2,505,563	-	-
Other postemployment benefits	156,802	-	-	-	(156,802)
Interest expense	23,468	-	-	-	(23,468)
Depreciation and amortization	232,187	-	-	-	(232,187)
Total Governmental Activities	\$ 13,009,696	\$ 3,886,974	\$ 7,436,661	\$ 319,205	(1,366,856)
General revenue:					
Assessments to member districts					461,345
Interest and dividend income					27,379
Realized and unrealized gains on investments					41,926
Other					155,652
Total General Revenue					686,302
Change in Net Position					(680,554)
Net Position, Beginning of Year					(2,421,514)
Net Position, End of Year					\$ (3,102,068)

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

EDCO Collaborative
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Professional Development Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 436,920	\$ -	\$ 436,920
Investments	602,068	-	602,068
Accounts receivable, net	584,665	-	584,665
Unbilled receivables	586,057	-	586,057
Prepaid expenses	4,350	-	4,350
	Total Assets	\$ -	\$ 2,214,060
	\$ 2,214,060	\$ -	\$ 2,214,060
LIABILITIES AND FUND BALANCES			
Liabilities:			
Line of credit	\$ 484,933	\$ -	\$ 484,933
Accounts payable	752,958	-	752,958
Accrued liabilities	274,483	-	274,483
Deferred revenue	108,475	-	108,475
	Total Liabilities	-	1,620,849
	1,620,849	-	1,620,849
Fund Balances:			
Nonspendable	4,350	-	4,350
Restricted	-	-	-
Committed	-	-	-
Assigned	602,068	-	602,068
Unassigned	(13,207)	-	(13,207)
	Total Fund Balances	-	593,211
	593,211	-	593,211
Total Liabilities and Fund Balances	\$ 2,214,060	\$ -	\$ 2,214,060
	\$ 2,214,060	\$ -	\$ 2,214,060

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

EDCO Collaborative

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total fund balances, governmental funds \$ 593,211

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 1,263,341

The deposits asset is not a current financial resource and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position. 4,690

Other postemployment benefit (OPEB) liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position. (3,482,135)

Deferred inflows relating to the other postemployment benefit obligation is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the government activities of the Statement of Net Position. (1,345,360)

The compensated absences liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position. (135,815)

Net position of governmental activities \$ (3,102,068)

EDCO Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Professional Development Fund	Total Governmental Funds
Revenues:			
Tuition and services revenue	\$ 3,886,974	\$ -	\$ 3,886,974
Member assessments	461,345	-	461,345
Operating grants and contributions	4,931,098	-	4,931,098
Intergovernmental revenue	2,505,563	-	2,505,563
Capital grants and contributions	319,205	-	319,205
Interest, investment and other income	224,957	-	224,957
Total Revenues	12,329,142	-	12,329,142
Expenditures:			
Administration	1,787,144	-	1,787,144
Program payroll	5,498,292	-	5,498,292
Program fringe benefits and payroll taxes	1,216,051	-	1,216,051
Contract services and professional fees	633,251	-	633,251
Transportation and travel	85,638	-	85,638
Rent and other occupancy	501,247	-	501,247
Building maintenance	1,445	-	1,445
Telephone and utilities	99,262	-	99,262
Supplies, equipment and technology	151,520	-	151,520
Education and training	5,778	-	5,778
Bad debt expense	34,479	-	34,479
Other	76,029	-	76,029
Intergovernmental expense	2,505,563	-	2,505,563
Capital outlay, net of debt incurred	420,506	-	420,506
Debt Service:			
Debt principal	71,231	-	71,231
Debt interest	23,468	-	23,468
Total Expenditures	13,110,904	-	13,110,904
Excess (deficit) of Revenues over Expenditures	(781,762)	-	(781,762)
Other Financing Sources:			
Transfer from professional development fund	590,931	(590,931)	-
Net Change in Fund Balances	(190,831)	(590,931)	(781,762)
Fund Balances, Beginning of Year -	784,042	590,931	1,374,973
Fund Balances, End of Year	\$ 593,211	\$ -	\$ 593,211

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

EDCO Collaborative

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances of total governmental funds \$ (781,762)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay purchases, net of debt incurred	420,506
Depreciation	(232,187)

Governmental funds report debt service payments as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only the current year interest accrued on the debt as expense.

Debt principal payments	71,231
-------------------------	--------

Governmental funds do not report certain revenues or expenses because they do not impact current financial resources. In contrast, the Statement of Activities reports such items.

Deposits	140
Compensated absences	(1,680)

Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in Net OPEB Liability	<u>(156,802)</u>
----------------------------------	------------------

Change in net position of governmental activities \$ (680,554)

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

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Collaborative

EDCO Collaborative (“The Collaborative”) was created by agreement pursuant to the provisions of Section 4E of Chapter 40, as amended by Chapter 43 of the Acts of 2012. EDCO provides educational programs and services for students within the Commonwealth. Services are predominantly funded by federal and state agencies and various municipalities of the Commonwealth. EDCO’s Board of Directors is comprised of the superintendent of schools or a school committee representative from each of the 16-member school districts with each member school district being entitled to one vote each.

EDCO is related to LABBB Collaborative (“LABBB”) through common board members. Four members of EDCO’s Board hold four of the five board seats of LABBB. EDCO obtained service fee income from LABBB for certain financial services. LABBB operates as a separate, independent, special education collaborative. Component units are included in the reporting entity if their operational and financial relationships with the Collaborative are significant. Pursuant to these criteria, the Collaborative did not identify LABBB as a component unit requiring inclusion in the accompanying financial statements.

Basis of Presentation

The Collaborative's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Collaborative are discussed below.

The Collaborative's basic financial statements include both government-wide (reporting the Collaborative as a whole) and fund financial statements (reporting the Collaborative's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. The Collaborative does not have any activities classified as business type activities.

Government-wide Statements

In the government-wide Statement of Net Position, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long- term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The Collaborative’s net position is reported in three parts—net investment in capital assets; restricted; and unrestricted. The Collaborative first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the sources and uses of funds received by the Collaborative. Certain costs, such as employee fringe benefits, property and liability insurance, among others are not allocated among the Collaborative’s functions and are included in fixed charges expense in the Statement of Activities. Depreciation, if any, is reported as one amount, in total, on the Statement of Activities. None of these costs are allocated among the respective functions.

The government-wide focus is more on the sustainability of the Collaborative as an entity and the change in the Collaborative’s net position resulting from the current year’s activities.

Fund Financial Statements

The financial transactions of the Collaborative are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

The following governmental fund types are used by the Collaborative - the Collaborative does not use proprietary funds:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Collaborative:

General fund - is the general operating fund of the Collaborative. It is used to account for all financial resources not accounted for and reported in another fund.

Professional development fund – consists of funds formerly restricted for use in professional development programs, and was established upon the dissolution of EDCO, Inc., as described in Note M.

Non-major governmental funds - consist of other special revenue and permanent funds that are aggregated and presented in the non-major governmental funds column on the government funds financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Collaborative may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

Measurement Focus and Basis of Accounting

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 recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Cash and Cash Equivalents

Cash equivalents include cash balances maintained in checking accounts and money market accounts. EDCO considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalent.

EDCO maintains cash and cash equivalent balances at three institutions located in Massachusetts. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. EDCO's cash balances, at times, may exceed federally insured limits. EDCO monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. EDCO also maintains cash and cash equivalents at the Massachusetts Municipal Depository Trust and Boston Private Bank and Trust Company, which are collateralized by underlying assets.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Accounts Receivable

Accounts Receivable consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. At June 30, 2020 management recorded an allowance for doubtful accounts of \$22,211.

Capital Assets

Equipment and improvements are recorded at cost. Donated assets are recorded at fair value determined at the date of donation. EDCO capitalizes purchases with a cost basis of \$5,000 or more. Depreciation on capital assets is provided for over the estimated useful lives of the respective assets on the straight-line basis. Equipment is depreciated over 3-5 years while the leasehold improvements are generally depreciated over the life of the lease, up to 15 years. Expenditures for repairs and maintenance are charged to expense as incurred.

Deferred Revenue

Deferred revenue consists primarily of amounts received from federal and state agencies and various municipalities for programs which have not yet been earned under the terms of the agreement.

Equity Classifications

Government-wide Statements

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

Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted - this component of net position consists of restricted net assets reduced by liabilities and deferred inflows or resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - this component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on specific purposes for which amounts in the funds can be spent. Fund balances can be classified in the following components:

Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – consists of amounts upon which constraints have been placed on their use whether (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – consists of amounts which can only be used for specific purposes pursuant to constraints imposed by the Collaborative's highest level of decision making, the Board of Directors. Any modification or rescission must also be made by a vote of the Board of Directors.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Assigned fund balance – consists of amounts that are constrained by the Collaborative’s intent to be used for specific purposes. Intent is expressed by (a) the governing body itself, or (b) a Board of Directors, or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance – consists of the residual classification for the remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

Revenue Recognition

Program revenue is earned under cost reimbursement and fee for service arrangements with various federal, state, municipal and local funding agencies. Revenue is recognized when costs are incurred or when services are rendered depending on the nature of the arrangement.

Contributions and unconditional promises to give are recorded as revenue in the period received or verifiably committed. Asset contributions are considered to be available for the general programs of EDCO unless restricted by the donor.

EDCO also receives sublease income from unrelated parties for space usage within its primary facility (see Note H).

Federal and State Grants

EDCO has expended resources in connection with federal and state grants and contracts that are subject to review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agency if expenditures are disallowed. Management is not aware of any specific disallowances.

Income Tax Status

EDCO was established under Chapter 40 Section 4(e) under the general laws of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

EDCO accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. EDCO has identified its tax status as a tax-exempt entity as its only significant tax position; however, EDCO has determined that such tax positions do not result in an uncertainly requiring recognition. EDCO is not currently under examination by any taxing jurisdiction. As a Chapter 40 government entity, EDCO is exempt from filing certain non-profit filings and, accordingly, there are no returns currently open for examination.

Compensated Absences

It is EDCO’s policy to permit employees to accumulate earned but unused vacation pay benefits. Employees may use this time in addition to other vacation time earned each year. Unused time is paid to the employee upon termination or retirement. Compensated absences are recorded as a non-current liability in the statement of net position.

Post-Retirement Healthcare Plan

EDCO accrues all costs related to current and future benefits of current employees and retirees under a post-retirement healthcare plan. As of June 30, 2020, the Plan was 41% funded (see Note G).

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments and Fair Value Measurements

All investments of the Collaborative (see Note C) are measured at fair value, generally based on quoted market prices in accordance with level 1 of the Fair Value Hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*. The Collaborative manages its investments in accordance with state public finance laws that require that all moneys held in the name of the Collaborative, which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety, liquidity and yield. The Collaborative has directed a local investment management service to manage the funds as conservatively as possible. However, the investments are still subject to market risk of loss.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and reported revenues and expenses. Actual results could vary from the estimates used.

Subsequent Events

The Collaborative has evaluated subsequent events through December 11, 2020, which is the date the financial statements were issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net position date, which are necessary to disclose to keep the financial statements from being misleading.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following at June 30, 2020:

Bank balance of cash and cash equivalents	\$ 504,758
Deposits held in a Massachusetts Municipal Depository Trust	570
Reconciling items (deposits in transit, outstanding checks, etc.), net	<u>(68,408)</u>
Total cash and cash equivalents as reported on the statement of net position	<u>\$ 436,920</u>
Bank deposits insured by the Federal Deposit Insurance Corporation	<u>\$ 250,000</u>

NOTE C – INVESTMENTS

Investments as of June 30, 2020 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Stocks	\$223,337	\$323,136	\$ 99,799
Bonds	<u>265,312</u>	<u>278,932</u>	<u>13,620</u>
Total Investments	<u>\$488,649</u>	<u>\$602,068</u>	<u>\$113,419</u>

NOTE D – LINE OF CREDIT

EDCO has entered into a \$500,000 line of credit agreement with an institution located in Massachusetts. The note requires interest-only payments and is payable on demand. The interest rate at June 30, 2020 was 3.75%. The line of credit is fully secured by a money market account. The balance at June 30, 2020 was \$484,933.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE E – EQUIPMENT AND IMPROVEMENTS

Equipment and improvement activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment and improvements:				
Equipment	\$ 740,344	\$ 319,206	\$ -	\$1,059,550
Improvements	<u>2,185,193</u>	<u>101,300</u>	-	<u>2,286,493</u>
Total at historic cost	2,925,537	420,506	-	3,346,043
Less: accumulated depreciation for:				
Equipment	569,213	84,251	-	653,464
Improvements	<u>617,517</u>	<u>147,936</u>	-	<u>765,453</u>
Total accumulated depreciation	<u>1,186,730</u>	<u>232,187</u>	-	<u>1,418,917</u>
Total equipment and improvements, net	<u>\$ 1,738,807</u>	<u>\$ 188,319</u>	<u>\$ -</u>	<u>\$1,927,126</u>

NOTE F – GRANTS AND CONTRACTS REVENUE

Grants and contracts revenues were provided by the following funding sources for the years ended June 30, 2020:

Federal government	19%
State government	21%
Private and city/local sources	<u>60%</u>
	<u>100%</u>

NOTE G – POST-RETIREMENT HEALTHCARE BENEFITS

EDCO follows the provisions of GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits other than Pensions.”

Description

EDCO sponsors a post-retirement benefit plan (the “Plan”) which provides health and dental benefits to qualified retirees.

EDCO’s policy is to make contributions to a trust established for the Plan on an annual basis within six months after the fiscal year end. The amount contributed to the Plan is determined based on the unexpended fringe benefit revenues earned on EDCO’s grants and contracts. Since management plans only to provide benefits to the extent that resources are available, the funded status of these benefits has been limited to funds made available under grants and contracts. Benefits under this Plan are adjusted periodically based on the limitations of the funds that may become available for these purposes as EDCO does not intend to fund these benefits from its other resources. EDCO invests the funds of this Plan in a VEBA Trust. An employee becomes eligible to retire under this plan upon attainment of age 60 as an active member and completion of 10 years of continuous service. Early retirement is available for any participant who has attained benefit eligibility.

Funding Policy

The contribution requirements of plan members and EDCO are established and may be amended through EDCO ordinances. For the period ending on the June 30, 2020 Measurement Date, total Collaborative premiums plus implicit costs for the retiree medical program were \$223,220. The Collaborative also withdrew \$362,302 from the OPEB Trust for a total net withdrawal during the measurement period of \$139,082. However, the Collaborative intends to recontribute this net difference as soon as possible.

Investment Policy

The long-term rate of return on assets developed based on the Collaborative Investment Policy is 6.01%. The rate is comprised of a 3.76% real rate of return and 2.50% inflation assumption, net of 0.25% investment expense.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE G – POST-RETIREMENT HEALTHCARE BENEFITS – *continued*

Actuarially Determined Contribution (ADC)

EDCO's Actuarially Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which is composed of the service cost and an amortization of the unfunded liability. We have used a 30-year flat dollar amortization of the EDCO's unfunded liability for the purpose of calculating ADC. The following table shows the components of the EDCO's annual ADC as of the last valuation date:

Actuarially Determined Contribution - Deficiency / (Excess)		<u>June 30, 2020</u>
I. Service Cost		\$ 351,711
II. 30-year level dollar amortization of NOL		201,361
III. Actuarial Determined Contribution [I. + II.]		<u>553,072</u>
IV. Withdrawals in relation to the actuarially determined contribution		<u>139,082</u>
V. Contribution deficiency / (excess) [III. + IV.]		<u>\$ 692,154</u>
Covered employee payroll		\$ 4,137,663
Contribution as a % of covered employee payroll		-3.36%
Discount Rate		4.00%
Money Weighted Rate of Return		8.19%

OPEB Liability and OPEB Expense

	<u>Collaborative Employees and Retirees</u>
I. Total OPEB Liability	\$ 5,941,400
II. Fiduciary Net Position as of June 30, 2020	<u>2,459,265</u>
III. Net OPEB Liability (Asset) [I.-II.]	3,482,135
IV. Service Cost	351,711
V. Interest on Net OPEB Liability and Service Cost	253,955
VI. Projected Earnings on OPEB Plan Investments	(187,912)
VII. Net Recognition of Deferred (Inflows)/Outflows	(260,952)
VIII. Expense Related to Change in Benefit Terms	<u>-</u>
IX. Financial Statement Expense	156,802
XI. Employer (Payments) Withdrawals to/from OPEB Trust	(223,220)
XII. Employer Share of Costs	<u>223,220</u>
XII. Employer Share of Costs	<u>-</u>
XIII. Net OPEB Expense	\$ 156,802

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE G – POST-RETIREMENT HEALTHCARE BENEFITS – *continued*

Effect of 1% Change in Discount Rates

If the discount rate were 1% higher than what was used in this valuation, the Net OPEB Liability would decrease to \$2,883,994 or by 20.4% and the corresponding Service Cost would decrease to \$280,077 or by 20.4%. If the discount rate were 1% lower than was used in this valuation, the Net OPEB Liability would increase to \$4,541,379 or by 25.4% and the corresponding Service Cost would increase to \$448,067 or by 27.4%. The rates were based on the actuarial reports completed for measurement date June 30, 2020.

Effect of 1% Change in Healthcare Trend

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Net OPEB Liability would increase to \$4,525,222 or by 25.0% and the corresponding Service Cost would increase to 450,003 or by 27.9%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Total OPEB Liability would decrease to \$2,907,758 or by 19.7% and the corresponding Service Cost would decrease to \$279,743 or 20.5%. The rates were based on the actuarial reports completed for measurement date June 30, 2020.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method:	Individual Entry Age Normal
Discount Rate:	4.0% per annum (previously 3.5%)
General Inflation Assumption:	2.50% per annum
Annual Compensation Increases:	3.00% per annum
Actuarial Value of Assets:	Market Value

Recognition of OPEB Trust Assets

The state of Massachusetts has passed legislation allowing municipal entities to establish a Trust for Other Postemployment Benefits (“OPEB”) under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 75. This legislation was amended effective November 9, 2016 to clarify who may adopt such a Trust and provide guidance on the ongoing operation of such a Trust. To the best of our knowledge, the EDCO has established an irrevocable trust for the purposes of prefunding liabilities under GASB 74/75.

Impact of Patient Protection and Affordable Care Act (“PPACA”) Excise Tax

The Patient Protection and Affordable Care Act (“PPACA”) excise tax has been repealed.

Deferred Inflows/Outflows

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of the effects of differences between expected & actual experience										
Fiscal	Differences between actual & expected experience	Recognition Period (years)	2020 Amortization	6/30/2020 Remaining Balance	2021	2022	2023	2024	2025	Thereafter
					2018	(24,479)	7.53	(3,251)	(14,726)	(3,251)
2019	-	7.53	-	-	-	-	-	-	-	-
2020	(897,752)	6.61	(135,817)	(761,935)	(135,817)	(135,817)	(135,817)	(135,817)	(135,817)	(82,850)
Total Remaining Balance				(776,661)						
Net increase (decrease) in OPEB Expense			(139,068)		(139,068)	(139,068)	(139,068)	(139,068)	(137,539)	(82,850)

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE G – POST-RETIREMENT HEALTHCARE BENEFITS – *continued*

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of the effects of changes in assumptions										
Fiscal	Differences between actual & expected experience	Recognition Period (years)	2020 Amortiz- ation	6/30/2020 Remaining Balance	2021	2022	2023	2024	2025	Thereafter
2018	-	7.53	-	-	-	-	-	-	-	-
2019	-	7.53	-	-	-	-	-	-	-	-
2020	(558,093)	6.61	(84,431)	(473,662)	(84,431)	(84,431)	(84,431)	(84,431)	(84,431)	(51,507)
Total Remaining Balance				(473,662)						
Net increase (decrease) in OPEB Expense			(84,431)		(84,431)	(84,431)	(84,431)	(84,431)	(84,431)	(51,507)

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of differences between projected & actual earnings on OPEB plan investments									
Fiscal	Differences between actual & expected experience	Recognition Period (years)	2020 Amortization	6/30/2020 Remaining Balance	2021	2022	2023	2024	2025
2018	(136,940)	5.00	(27,388)	(54,776)	(27,388)	(27,388)	-	-	-
2019	-	5.00	-	-	-	-	-	-	-
2020	(198,599)	5.00	(10,065)	(40,261)	(10,065)	(10,065)	(10,065)	(10,066)	-
Total Remaining Balance				(95,037)					
Net increase (decrease) in OPEB Expense			(37,453)		(37,453)	(37,453)	(10,065)	(10,066)	-

NOTE H – LEASE COMMITMENTS

EDCO has entered into operating leases for the use of certain facilities and office equipment which expire at various dates through 2029. Rent expense charged to operations was approximately \$506,132 for the year ended June 30, 2020, which includes leases for certain facilities where EDCO is a tenant-at-will.

Approximate future minimum rental payments under non-cancellable leases are as follows:

2021	\$ 507,893
2022	518,261
2023	494,541
2024	497,664
2025	508,032
2026-2029	<u>2,260,224</u>
	<u>\$4,786,615</u>

EDCO has entered into various sublease agreements to sub-let space in its Bedford location to unrelated entities. EDCO agreed to coordinate the build-out of the space for the sublessees and then was reimbursed for the costs incurred. During the year ended June 30, 2020, EDCO collected \$152,528 of rent revenue. Future minimum rental receipts under non-cancellable leases are as follows:

2021	<u>\$160,973</u>
	<u>\$160,973</u>

NOTE I – RELATED PARTY TRANSACTIONS

EDCO had no related party transactions during the year ended June 30, 2020.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE J – MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREMENT SYSTEMS

Plan Descriptions:

The Collaborative’s employees participate in the Massachusetts Teachers’ (MTRS) or State Employees’ Retirement System (MSERS), statewide cost-sharing multi-employer defined benefit plans public employee retirement systems (PERS) covering all employees of local school districts within the Commonwealth of Massachusetts. The retirement systems issue publicly available annual reports that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

Benefits Provided:

MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes 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 is at age 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.

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes 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 the 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 MSERS vary depending on the most recent date of membership:

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

**NOTE J – MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREMENT SYSTEMS –
*continued***

<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
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

Educational collaboratives contribute amounts equal to the normal cost of employees’ benefits participating in MSERS at a rate established by the Public Employees’ Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees’ benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. During fiscal year 2020, the Collaborative’s contributions on behalf of employees totaled \$234,681.

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.....	9% of regular compensation
7/1/2001 to present.....	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

The Commonwealth is a nonemployer contributor in MTRS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity under both MSERS and MTRS. Since the employers do not contribute directly to each system beyond the MSERS annual normal cost, there is no net pension liability to recognize. However, the notes to the financial statements must disclose the portion of the nonemployer contributing entities’ share of the collective net pension liability that is associated with the employer. In addition, the Collaborative must recognize its portion of the collective pension expense as both a revenue and pension expense.

The nonemployer contributing entities’ share of the collective net pension liability that is associated with the Collaborative was measured as of June 30, 2019 and was \$9,199,592 and \$8,059,653 under MSERS and MTRS, respectively. In fiscal 2020, the Collaborative recognized revenue and related expense of \$1,528,190 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2020, the Collaborative recognized revenue and related expense of \$977,373 (under GASB Statement No. 68), for its portion of the collective pension expense under MTRS. These amounts are recorded as Intergovernmental revenue and expense in the financial statements.

NOTE K – FISCAL 2021 BUDGET

EDCO has authorized a fiscal 2021 operating budget which anticipates an approximate \$249,000 surplus on \$11,011,000 of expenses.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4E

Names, duties and total compensation for the five most highly compensated employees

The Commonwealth of Massachusetts requires education collaboratives to disclose the name, duties and total compensation of the 5 most highly compensated employees.

Name and Title	Salary	Employer Portion of Benefits	Total Compensation
Executive Director – Nadine Ekstrom	\$163,590	\$17,463	\$181,053
Program Director, EDCO Youth Alternatives – Ajay Trivedi	\$105,836	\$14,905	\$120,741
Director of Professional Learning and Community Education – Andrew Kelley	\$ 88,199	\$17,463	\$105,662
Senior Accountant, Eileen Hogan	\$ 86,693	\$17,463	\$104,156
Program Director, North Crossing Academy – Will Verbits	\$102,263	\$ 0	\$102,263

Executive Director – Responsible for the management and growth of EDCO Collaborative. Responsibilities include ensuring the collaborative is operating within and in compliance with applicable federal and state laws and ensuring adherence to the collaborative agreement and policies. Other responsibilities include the preparation and presentation of important management and financial information to the Board of Directors, the Executive Committee, and the Finance & Administration Committee.

Senior Accountant – Responsible for various functions within the Department of Accounting and Finance. Responsible for contract billing and management, assistance with budget preparation, payroll and employee benefits, oversight of financial reporting, UFR reporting, and preparing for the annual financial audit.

Program Director - Responsible for the operation, maintenance, and general administration of their program.

Director of Professional Learning and Community Education – Responsible for assisting member districts in improving student outcomes by designing, promoting and implementing collaborative approaches to the development and delivery of educational services by providing programs in educator training, technology, roundtables and special courses.

Amounts expended on services for individuals aged 22 years and older

Total direct costs incurred by EDCO in its over 22 program totaled \$2,010,240 for the year ended June 30, 2020.

Amounts expended on administration and overhead

Total administrative costs, including non-operating investment fees, incurred by EDCO totaled \$1,788,823 for the year ended June 30, 2020. Administrative expenses include all costs that cannot be directly or reasonably applied to a program of EDCO. Administrative expenses include salaries, related benefits and payroll taxes, associated with EDCO’s administrative office (i.e., Executive Director, finance staff, human resources, etc.), as well as other costs associated with maintaining that office (i.e., occupancy, supplies, etc.). EDCO directly applies salaries, where appropriate, to its programs and allocates related employee benefits and taxes to those programs. Occupancy, supplies, maintenance and any other cost that can be directly applied, or reasonably allocated, are reported under program expense.

Accounts held by the collaborative that may be spent at the discretion of another person or entity

As of June 30, 2020, EDCO did not hold any accounts that may be spent at the discretion of another person or entity.

Transactions between the collaborative and any related for-profit or non-profit organization

Related party transactions are described in Note I to the financial statements.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

**NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4E –
*continued***

Transactions or contracts related to purchase, sale, rental or lease of real property

Transactions or contracts related to the purchase, sale, rental, or lease of real property are described in Notes H and N to the financial statements.

Annual determination and disclosure of cumulative surplus

Cumulative Surplus Calculation – FY20	Page(s) in financial statements
(A) Voted Cumulative Surplus as of 6/30/19	\$ 784,042 (A) p. 12
(B) 1 Amount of (A) used to support the FY20 Budget (B)1	\$(190,831)
2 Amount of (A) returned to member districts (B)2	\$ -
(B)1 + (B)2 = (B)	\$ (190,831) (B)
(C) Unexpended FY20 General Funds	\$ - (C) p. 12
(D) Cumulative Surplus as of 6/30/20 (A) - (B) + (C) = (D)	\$ 593,211 (D)
(E) FY20 Total General Fund Expenditures*	\$ 10,605,341 (E) p. 12
(F) Cumulative Surplus Percentage (D) ÷ (E)	6% (F)
Estimated Amount of Excess Cumulative Surplus as of 6/30/20	\$ -

* Excludes Intergovernmental expense

NOTE M – RESTRICTED AND ASSIGNED FUNDS

On May 10, 2012, the Board of Directors of EDCO, Inc. voted to approve the dissolution of EDCO, Inc. and all remaining assets and liabilities of EDCO, Inc. were transferred to the Collaborative upon final dissolution of that organization in fiscal year 2014. Included in the transfer of assets were funds designated for use in the Collaborative’s professional development program. During the year ended June 30, 2020, the Collaborative received legal determination that the funds transferred were not restricted and could be utilized for educational programming as determined by the board of directors. The board voted to utilize \$451,036 of previously assigned funds to offset the fiscal year 2020 projected deficit. As of June 30, 2020, remaining unused funds of \$590,931 were transferred from restricted funds to assigned funds within the general fund due to the legal representation. The remaining assigned funds as of June 30, 2020 were \$602,068.

NOTE N – NOTE PAYABLE AND LONG-TERM LIABILITIES

During fiscal year 2015, EDCO entered into a lease agreement for office and program facilities in Bedford, Massachusetts. In connection with the lease, EDCO entered into a note payable agreement with the landlord to finance leasehold improvements in the amount of \$1,200,000. The loan is payable over 11 years with monthly payments of principal and 5.00% interest of \$11,837. Due to the COVID-19 pandemic, EDCO requested deferral of four months of payments. The deferral does not change the note balance or modify any other terms of the note agreement. The balance of the note payable at June 30, 2020 was \$663,785.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE N – NOTE PAYABLE AND LONG-TERM LIABILITIES – *continued*

Future maturities of the note payable are as follows:

	Principal	Interest	Total
2021	\$ 111,389	\$ 30,655	\$ 142,044
2022	117,088	24,956	142,044
2023	123,078	18,966	142,044
2024	129,375	12,669	142,044
2025	135,994	6,050	142,044
Thereafter	46,861	487	47,348
	<u>\$ 663,785</u>	<u>\$ 93,783</u>	<u>\$ 757,568</u>

The following summarizes long-term liability activity of the Collaborative for the year ended June 30, 2020:

	Balance 6/30/2019	Additions	Deductions/ Repayments	Balance 6/30/2020
Note Payable	\$ 735,016	\$ -	\$ (71,231)	\$ 663,785
Compensated Absences	134,136	101,066	(99,387)	\$ 135,815
Total	\$ 869,152	\$ 101,066	\$ (170,618)	\$ 799,600
Current Portion (Note Payable)	(107,745)			(111,389)
Long-Term Portion	\$ 761,407			\$ 688,211

NOTE O – COMMONWEALTH OF MASSACHUSETTS SURPLUS REVENUE RETENTION (OSD)

The excess (deficiency) of revenue received from departments of the Commonwealth of Massachusetts is the amount in accordance with the Commonwealth of Massachusetts Not-For-Profit Provider Surplus Revenue Retention Policy, pursuant to 808CMR 1.19(3) of the Pricing, Reporting, and Auditing for Social Programs, which allows a provider to retain, for future use, a portion of annual net surplus. Net surplus from the revenues and expenses with services provided to purchasing agencies, which are subject to 808CMR 1.00, may not exceed 20% of the provider's revenues derived from contracts with state departments annually. For fiscal 2016 and beyond, there is no limit on the cumulative amount of the provider's net surplus. EDCO had no surplus revenue for the year ended June 30, 2020.

NOTE P – SUBSTANTIAL DOUBT TO CONTINUE AS A GOING CONCERN

As indicated in the accompanying financial statements, the Collaborative realized a significant deficit in governmental activities for the year ended June 30, 2020. This significant deficit has reduced the cumulative unassigned general fund balance to a deficit of \$13,207. Those factors have created an uncertainty about the Collaborative's ability to continue as a going concern. Management of the Collaborative has developed a plan to limit its deficit in fiscal year 2021 and beyond by decreasing its operating expenditures and increasing its revenues.

Each member of the management team understands the importance of creating financial stability for the Collaborative. Management will continue to review strategies and practices to ensure that the Collaborative's students are able to receive the services they need in a financially sustainable manner.

The ability of the Collaborative to continue as a going concern is dependent on management's success in executing the plan eliminate deficits and increase the general fund balance. The financial statements do not include any adjustments that might be necessary if the Collaborative is unable to continue as a going concern.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2020

NOTE Q - RISK MANAGEMENT

The Collaborative is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; workers' compensation and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage. There were no significant changes in coverage compared to the prior year.

Beginning in March 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in overall economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Collaborative's operations and financial position. Any financial impact to the Collaborative, if any, cannot be reasonably estimated at this time. Management and the Collaborative's board of directors constantly monitor the financial and operational situation in relation to the pandemic.

EDCO Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
of the General Fund - Budget to Actual
For the Year Ended June 30, 2020

	Original Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:			
Tuition & services revenue	\$ 6,428,511	\$ 3,886,974	\$ (2,541,537)
Member assessments	186,972	461,345	274,373
Grants & contributions	5,011,742	4,931,098	(80,644)
Intergovernmental revenue	-	2,505,563	2,505,563
Interest, investment and other income	287,155	224,957	(62,198)
Total Revenues	<u>11,914,380</u>	<u>12,329,142</u>	<u>414,762</u>
Expenditures:			
Administration	2,007,738	1,787,144	220,594
Educational and instructional	9,262,205	7,579,747	1,682,458
Professional development	789,029	723,245	65,784
Intergovernmental revenue and expense	-	2,505,563	(2,505,563)
Capital outlay, net of debt incurred	-	420,506	(420,506)
Debt Service:			
Debt principal	-	71,231	(71,231)
Debt interest	-	23,468	(23,468)
Total Expenditures	<u>12,058,972</u>	<u>13,110,904</u>	<u>(1,051,932)</u>
Revenues Net of Expenditures	(144,592)	(781,762)	(637,170)
Transfers in from other funds	80,000	590,931	510,931
Net Change in Fund Balances	<u>\$ (64,592)</u>	<u>\$ (190,831)</u>	<u>\$ (126,239)</u>

Notes to schedule:

The Board of Directors annually determines the budget to maintain and operate the Collaborative during the next fiscal year and then, based upon enrollment data, assesses the member and non-member districts in accordance with the terms of the agreement. An annual budget is adopted for the general fund and may be revised by board approval during the year. The above schedule presents a comparison of budgetary data to actual results.

The Collaborative prepares its annual budget on a basis (budget basis) that differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Collaborative's method (budget basis) in the above schedule to provide meaningful comparison of actual results with budget. There are no reconciling items between GAAP and budget basis in this statement. Intergovernmental revenue and expense is not budgeted by the Collaborative because it is actuarially determined annually and does not require actual expenditure by the Collaborative. Certain expenses may be grouped differently than the actual amounts presented.

EDCO Collaborative
OPEB Plan - Required Supplementary Information
June 30, 2020

Year	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
June 30, 2017	\$ 624,741	\$ (114,063)	\$ 510,678	\$ 6,282,678	1.82%
June 30, 2018	\$ 684,015	\$ 174,454	\$ 858,469	\$ 6,471,158	-2.70%
June 30, 2019	\$ 748,741	\$ (280,681)	\$ 468,060	\$ 6,665,293	4.21%
June 30, 2020	\$ 553,072	\$ 139,082	\$ 692,154	\$ 4,137,663	-3.36%

Schedule Presentation

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

EDCO Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2020 Measurement Date

Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios				
Valuation Date For the Reporting Period & Fiscal Year ending on:	July 1, 2019 June 30, 2020	July 1, 2016 June 30, 2019	July 1, 2016 June 30, 2018	July 1, 2016 June 30, 2017
Total OPEB Liability				
I. Service Cost	351,711	531,701	499,951	460,316
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	253,955	205,792	143,159	205,793
III. Changes in Benefit terms	-	-	-	-
IV. Difference between Expected & Actual Plan Experience	(897,752)	(133,761)	-	(24,479)
V. Changes of Assumption	(558,093)	-	-	-
VI. Benefit Payments Excluding Implicit Cost	(197,205)	(185,973)	(174,454)	(151,591)
VII. Implicit Cost Amount	(26,015)	133,538	10,192	-
VIII. Total Benefit payments including Implicit Cost [VI.+VII.]	(223,220)	(52,435)	(164,262)	(151,591)
IX. Net Change in OPEB liability [I.+II.+III.+IV.+V.+VIII.]	(1,073,399)	551,297	478,848	490,039
X. Total OPEB liability - beginning of period	7,014,799	6,463,502	5,984,654	5,494,615
XI. Prior Period Adjustment for Retirees not Previously Reflected	-	-	-	-
XII. Total OPEB Liability - end of period [IX.+X.+XI.]	5,941,400	7,014,799	6,463,502	5,984,654
Plan Fiduciary Net Position				
XIII. Earning from Plan Investments	189,430	215,677	250,641	267,784
XIV. Employer Contribution to trust	-	280,681	-	114,063
XV. Benefit payments from trust, including refunds of member contributions	(223,220)	(335,287)	(399,510)	(265,654)
XVI. Administrative expense	-	-	-	-
XVII. Other	-	-	-	-
XVIII. Net change in plan fiduciary net position [XIII.+XIV.+XV.+XVI.+XVII.]	(33,790)	161,071	(148,869)	116,193
XIX. Plan fiduciary net position - beginning of period	2,493,055	2,331,984	2,480,853	2,364,660
XX. Plan fiduciary net position - end of period [XVIII.+XIX.]	2,459,265	2,493,055	2,331,984	2,480,853
XXI. Net OPEB Liability [XII.-XX.]	3,482,135	4,521,744	4,131,518	3,503,801
XXII. Plan fiduciary net position as a % of total OPEB liability [XX./XII.]	41.39%	35.54%	36.08%	41.45%
XXIII. Covered employee payroll	4,137,663	6,665,293	6,471,158	6,282,678
XXIV. Plan NOL as % of covered employee payroll [XXI./XXIII]	84.16%	67.84%	63.85%	55.77%
Single Discount Rate to calculate Plan Liabilities	4.00%	3.50%	3.50%	3.50%

Schedule Presentation

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

See independent auditor's report.

EDCO Collaborative
 OPEB Plan - Required Supplementary Information
 As of the June 30, 2020 Measurement Date

Notes to Required Supplementary Information:

Valuation Date: Actuarially Determined Contribution was calculated as of July 1, 2019

Actuarial Cost Method: Individual Entry Age Normal

Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2020.

Actuarial Assumptions:

Investment Rate of Return: 6.01%, net of OPEB plan investment expense, including inflation.

Municipal Bond Rate: 2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)

Single Equivalent Discount Rate: 4.00%, net of OPEB plan investment expense, including inflation.

Inflation: 2.50% as of June 30, 2020 and for future periods

Salary Increases: 3.00% annually as of June 30, 2020 and for future periods

Cost of Living Adjustment: Not Applicable

Pre-Retirement Mortality: General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
 Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.

Post-Retirement Mortality: General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Disabled Mortality: General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year
 Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Plan Membership

Plan Membership: At July 1, 2019, the OPEB plan membership consisted for the following

Inactive employees or beneficiaries currently receiving benefits:	48
Active Employees:	<u>84</u>
Total:	<u>132</u>

See independent auditor's report.

EDCO Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2020 Measurement Date

Notes to Required Supplementary Information (Continued):

Events Subsequent to the Measurement Date

To the best of our knowledge there were no material events subsequent to the Measurement Date that would impact the figures shown in this report.

Changes in Assumptions: From July 1, 2017 to June 30, 2020

- Due to the GASB 75 standards the discount rate has been changed from 3.50% to 4.00%
- Based on recommendations by PERAC, the mortality table has been updated from the RP-2000 Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females
- The expected long-term medical trend has been updated to 4.50%
- Based on recent research by the Society of Actuaries, we have updated the assumption for morbidity or age-related costs of medical care

Contributions:

The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. For the year ending on the June 30, 2020 Measurement Date total Collaborative premiums plus implicit costs for the retiree medical program were \$223,220. \$26,015 of the \$223,220 represents implicit cost.

Census Data Manipulation:

In the absence of data, the following was assumed:

Spouse Sex:	Male participants had female spouses and vice versa.
Spouse Age:	Male spouses were three years older than female spouses and same sex spouses were the same age.
Hire Age:	Participants who were not on the previous valuation were hired halfway between last valuation and the current valuation. If we did not have census data related to the last valuation, the participants were assumed to have been hired at age forty.
Retiree Age:	Retirees had the same birth date as they had the prior valuation. If we did not have census data related to the last valuation, retirees who were enrolled in Active plans were assumed to be age sixty-two and retirees who were enrolled in Medicare Supplement plans were assumed to be age seventy-two. Those not enrolled in a medical plan were assumed to be sixty-seven.
School Demographics:	Two thirds of school participants were teachers.
Other Material Changes:	No other data changes were deemed to be material.

EDCO Collaborative
 Schedule of the Collaborative's Proportionate Share of Net Pension Liability
 For the Year Ended June 30, 2020

		<u>MTRS</u>	<u>MSERS</u>
Collaborative's proportion of net pension liability	FY2014	0.03758%	0.06983%
	FY2015	0.04463%	0.06923%
	FY2016	0.03176%	0.06583%
	FY2017	0.03115%	0.06550%
	FY2018	0.03351%	0.06845%
	FY2019	0.03196%	0.62860%
Collaborative's proportionate share of net pension liability	FY2014	\$ 5,974,116	\$ 5,735,474
	FY2015	\$ 9,145,184	\$ 7,879,793
	FY2016	\$ 7,100,616	\$ 9,077,617
	FY2017	\$ 7,128,425	\$ 8,400,716
	FY2018	\$ 7,945,197	\$ 9,055,614
	FY2019	\$ 8,059,653	\$ 9,199,592
Collaborative's covered-employee payroll	FY2014	\$ 2,304,322	\$ 3,699,589
	FY2015	\$ 2,829,250	\$ 4,187,518
	FY2016	\$ 2,112,302	\$ 4,099,893
	FY2017	\$ 2,147,252	\$ 4,158,982
	FY2018	\$ 2,383,625	\$ 4,055,722
	FY2019	\$ 2,321,015	\$ 3,751,149
Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll	FY2014	259.26%	155.03%
	FY2015	323.24%	188.17%
	FY2016	336.16%	221.41%
	FY2017	331.98%	201.99%
	FY2018	333.32%	223.28%
	FY2019	347.25%	245.25%
Plan fiduciary net position as a percentage of total pension liability	FY2014	61.64%	76.32%
	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%
	FY2017	54.25%	67.21%
	FY2018	54.84%	67.91%
	FY2019	53.95%	66.28%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note J to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2019.

Schedule Presentation

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

See independent auditor's report.

EDCO Collaborative
Schedule of Pension Contributions
For the Year Ended June 30, 2020

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
<u>MTRS</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 2,304,322	\$ 2,829,250	\$ 2,112,302	\$ 2,147,252	\$ 2,383,625	\$ 2,321,015
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

<u>MSERS</u>						
Contractually required contribution	\$ 207,177	\$ 234,501	\$ 229,594	\$ 232,903	\$ 247,399	\$ 228,820
Contributions in relation to the contractually required contribution*	\$ 207,177	\$ 234,501	\$ 229,594	\$ 232,903	\$ 261,091	\$ 250,907
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 3,699,589	\$ 4,187,518	\$ 4,099,893	\$ 4,158,982	\$ 4,055,722	\$ 3,751,149
Contributions as a percentage of covered-employee payroll	5.60%	5.60%	5.60%	5.60%	6.44%	6.69%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note J to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2019.

Schedule Presentation

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

Contributions

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

*The contribution rate is higher than contractually obligated because the Collaborative contributes a higher percentage for individuals covered by grant funding.

See independent auditor's report.

EDCO Collaborative
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education, Office of Elementary & Secondary Education:</u>			
Direct from U.S. Department of Education			
New England HEP	84.141		\$ 412,287
Total New England HEP			<u>412,287</u>
Pass through Commonwealth of Massachusetts			
Migrant Education State Grant Program	84.011	308-211064-2019-0523 308-292285-2020-0523	320,720 <u>723,362</u>
Total Migrant Education State Grant Program			<u>1,044,082</u>
Migrant Education Coordination Program	84.144	136-278812-2019-0523 136-309444-2020-0523	39,007 <u>58,811</u>
Total Migrant Education Coordination Program			<u>97,818</u>
English Language Acquisition Grants	84.365	180-235699-2019-0523-1.0 180-154106-2018-0523-2.0	6,505 <u>13,780</u>
Total English Language Acquisition Grants			<u>20,285</u>
Special Education Grants to States	84.027	SEPMM1EDCO20	<u>349,993</u>
Total Special Education Grants to States			<u>349,993</u>
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	206520SEPBH8EDCOCOLL	<u>98,917</u>
Total Special Education - Personnel Development to Improve Services and Results for Children with Disabilities			<u>98,917</u>
Career and Technical Education -Basic Grants to States	84.048	INTF969T202006901003	<u>1,500</u>
Total Career and Technical Education -Basic Grants to States			<u>1,500</u>
Total U.S. Department of Education			<u>2,024,882</u>
<u>U.S. Department of Labor, Employment Training Administration:</u>			
WIA Cluster			
Pass through Economic Development & Industrial Corporation of Boston			
Workforce Investment Act Youth Activities	17.259	46483-19 382019120	85,909 <u>185,766</u>
Total WIA Cluster and U.S. Department of Labor			<u>271,675</u>
Total Expenditures of Federal Awards			<u>\$ 2,296,557</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report.

EDCO Collaborative
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of EDCO Collaborative under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of EDCO Collaborative, it is not intended to and does not present the financial position, changes in net position or cash flows of EDCO Collaborative.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

EDCO Collaborative has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. The Collaborative uses its annually calculated indirect cost rate when possible.



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
EDCO Collaborative
Bedford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of EDCO Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise EDCO Collaborative's basic financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered EDCO 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 EDCO Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of EDCO 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as items 2020-1 and 2020-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EDCO 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-1, 2020-2, 2020-3 and 2020-4.

EDCO Collaborative's Response to Findings

EDCO Collaborative's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. EDCO Collaborative's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Fitz O'Sullivan 

Certified Public Accountants

Newburyport, Massachusetts

December 11, 2020



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
EDCO Collaborative
Bedford, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited EDCO Collaborative's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of EDCO Collaborative's major federal programs for the year ended June 30, 2020. EDCO Collaborative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of EDCO Collaborative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about EDCO Collaborative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of EDCO Collaborative's compliance.

Opinion on Each Major Federal Program

In our opinion, EDCO Collaborative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-1 and 2020-4. Our opinion on each major federal program is not modified with respect to these matters.

EDCO Collaborative's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. EDCO Collaborative's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of EDCO Collaborative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered EDCO Collaborative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of EDCO Collaborative's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as item 2020-1 that we consider to be a significant deficiency.

EDCO Collaborative's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. EDCO Collaborative's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Newburyport, Massachusetts

December 11, 2020

EDCO Collaborative
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

Section 1 - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| 3. Noncompliance material to the financial statements noted? | Yes |

Federal Awards

- | | |
|--|------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) | Yes |

4. Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.011

Migrant Education State Grant Program

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | No |

EDCO Collaborative
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section 2 - Financial Statement Findings

Item 2020-1 - Documentation of Transactions

Condition - The Collaborative entered into certain credit card transactions during fiscal 2020 that did not have supporting documentation.

Criteria - All transactions are required to be documented, especially pertaining to use of funds and proper approval.

Cause - Several credit card transactions did not have supporting documentation for the charges.

Potential effect - Credit cards could be used inappropriately for expenditures that are not budgeted or approved.

Recommendation - Management should ensure that all credit card transactions receive approval from an appropriate level of supervisor/manager and should receive receipts or other documentation prior to paying the credit card bill.

Management's response - Management agrees with the finding. EDCO Collaborative had several changes in the business office staff in fiscal year 2020. This created issues when tracking down receipts and documentation for credit card transactions. In fiscal year 2021 and going forward all transactions on a credit card will require a pre-approved purchase order. These purchase orders go through levels of approval by supervisors, administration and the business office. Documentation and/or receipts for credit card transactions will be provided to the business office and this documentation will be filed with the warrants. The business office and Treasurer will review all credit card statements, transactions and documentation as part of the warrant review and filing. In addition, the EDCO credit cards are being closed and consolidated to one credit card that will be housed in the central office and used only for pre-approved expense transactions.

Item 2020-2 - Budgeted to Actual Results Comparison

Condition - The Collaborative was not preparing proper budgeted to actual results comparisons throughout the fiscal year.

Criteria - GASB requires a governmental entity to prepare budgetary comparison information as required supplementary information to its financial statements. In addition, Massachusetts General Law c. 40 § 4E, and the accompanying regulations, 603 CMR 50.00, address cumulative surplus and collaborative budgeting practices. Further guidance by the Massachusetts Department of Elementary and Secondary Education states all planned expenditures in a collaborative budget must have sufficient revenues to support the expenditures. If cumulative surplus is used to support planned expenditures in the collaborative budget or the amended budget, this information must be provided to the collaborative board and the member districts as part of the supplemental budget information.

Cause - The Collaborative was not preparing proper budgetary comparison information in the same format as its accounting system.

EDCO Collaborative
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Potential effect - Senior management and the Collaborative board were not receiving timely and accurate budgetary comparison information to make proper decisions related to the Collaborative's realized deficit in the fiscal year. In addition, the board was unable to take action in approving an amended budget that properly addressed the projected deficit prior to the fiscal year end.

Recommendation - The Collaborative should utilize the budgeted to actual results comparative function within its accounting software for ongoing monitoring of the budget once the budget is reviewed and approved. This comparative function should generate adequate reports for management and the board to make proper budgeting decisions throughout the year.

Repeat finding - This finding is similar to finding 2019-02 reported in the prior year.

Management's response - Management agrees with this finding. In fiscal year 2020, the business office did not put budgets for expenses or revenues into the system. Staffing changes in the business office resulted in varying levels of understanding as to the functions of the financial accounting system. In fiscal year 2021, budgeted revenues and expenses have been appropriately entered into the accounting system. The business office will also review the budget reports with all staff with budget authority to ensure accuracy and address potential concerns.

Item 2020-3 - Employee Retirement

Condition- The Collaborative had significant delays in making payments related to employee retirement accounts.

Criteria- Employee retirement calculations and payments must be made monthly to fund accounts as required by the fiduciary responsibilities of the Collaborative for employee retirement systems.

Cause- Amounts to be paid into the retirement funds of employees and retirement payments not paid until several months after the required payment date.

Potential effect- Breach of fiduciary responsibility to make timely and correct payments to the retirement plans, potential penalties for failure to make timely retirement contributions on behalf of employees, and miscalculation of retirement contributions.

Recommendation- The retirement obligations of both the employee and employer should be calculated, reconciled and funded monthly to meet the fiduciary responsibilities of the Collaborative.

Management's response - Management agrees with this finding. EDCO experienced revenue and cash flow issues in fiscal year 2020 resulting in an inability to make payments in a timely manner. To help address the cash flow issues, the administration and business office are working with districts to ensure payments are made to EDCO in a timely manner. We are billing districts on a monthly basis and we have a dedicated resource doing follow up on accounts receivables that are over 30 days.

EDCO Collaborative
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Item 2020-4 - Procurement Documentation

Condition - The Collaborative entered into an agreement with a construction company to build out certain facilities and relevant procurement or bid documentation could not be produced.

Criteria - Under Massachusetts and Federal procurement laws, all procurement transactions at certain dollar thresholds are required to go to bid and are required to be documented.

Cause - A contract signed by both parties was produced indicating the project was entered into under state procurement laws. However, the original documentation of the procurement and bid process could not be produced during the audit.

Potential effect - Violation of Federal or state regulations related to procurement and improper bid/procurement processes.

Recommendation - Management should review its procurement policies and document all procurements. Procurements above requisite dollar thresholds should be documented appropriately. The Executive Director should sign off approval of such procurements and should ensure that the procurement was performed within the board's approval and budget process.

Management's response - Management agrees with this finding. Procurement policies and procedures were inconsistent or non-existent, resulting in ineffective procurement documentation. In fiscal year 2021, procurement is reviewed by the business office and administration to ensure compliance with state and federal laws. In addition, all contracts, quotes and bids will be documented and filed appropriately with the business office. The business office and administration will continue to review procedures to ensure they are appropriate and will provide training to staff on procurement practices. The current contracted business service provider is a Massachusetts Certified Public Purchasing Official and is knowledgeable in the procurement requirements.

Section 3 - Federal Award Findings and Questioned Costs

Item 2020-1 - Documentation of Transactions

Federal Program 84.011 Migrant Education State Grant Program

Criteria, Condition, Cause, Effect, Recommendation and Management's Response - See Financial Statement Finding Item 2020-1.

Questioned Costs - None identified related to the major Federal Program.

Context - This finding is relevant to the Collaborative as a whole and is not specific to this Federal Program. No questioned costs were identified as a result of this finding but the item could apply to Federal awards as a whole.

EDCO Collaborative
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Item 2020-4 - Procurement Documentation

Federal Program 84.011 Migrant Education State Grant Program

Criteria, Condition, Cause, Effect, Recommendation and Management's Response - See Financial Statement Finding Item 2020-4.

Questioned Costs - None identified related to the major Federal Program.

Context - This finding is relevant to the Collaborative as a whole and is not specific to this Federal Program. No questioned costs were identified as a result of this finding but the item could apply to Federal awards as a whole.

Section 4 - Summary Schedule of Prior Year Findings

Item 2019-1 - Budget Preparation

Condition - The Collaborative's amended fiscal 2019 budget and its fiscal 2020 budget were prepared for board approval and included a formula error which overstated the budgeted revenue sources.

Result - The finding appears to be resolved in the current year.

Item 2019-2 - Budgeted to Actual Results Comparison

Condition - The Collaborative was not preparing proper budgeted to actual results comparisons throughout the fiscal year.

Result - This finding is repeated and modified as finding 2020-2 in the current year.



Cyndy Taymore
Executive Director

ACCEPTANCE OF THE BOARD OF DIRECTORS

We, the Board of Directors of EDCO Collaborative, have voted to accept the representations of management and the expression of the opinions made by Fritz DeGuglielmo LLC as embodied in the financial statements, supplemental schedules and independent auditor's reports for the year ended June 30, 2020.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and under Commonwealth of Massachusetts laws for the year ended June 30, 2020.



Board Chair



Date

Strength in Diversity • Quality through Collaboration

www.edcollab.org • 36 Middlesex Turnpike, Bedford, Massachusetts 01730 • (617) 738-5600