

***SOUTHEASTERN MASSACHUSETTS EDUCATIONAL
COLLABORATIVE***

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2021

SOUTHEASTERN MASSACHUSETTS EDUCATIONAL COLLABORATIVE

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	11
Statement of net position	13
Statement of activities	14
Governmental funds – balance sheet	16
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position	17
Governmental funds – statement of revenues, expenditures, and changes in fund balances	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	19
Fiduciary funds – statement of fiduciary net position	20
Fiduciary funds – statement of changes in fiduciary net position	21
Notes to basic financial statements	22
Required Supplementary Information	44
General Fund – budgetary comparison schedule	45
General fund – schedule of revenues, expenditures and changes in fund balance – budget and actual	47
Collaborative pension plan schedules	48
Schedule of the special funding amounts of the net pension liability of the Massachusetts State Employees Retirement System	49
Schedule of the special funding amounts of the net pension liability of the Massachusetts Teacher's Retirement System	50
Schedule of contributions	51
Other postemployment benefits plan schedules	52
Schedule of changes in the net OPEB liability and related ratios	53
Schedule of contributions	54
Schedule of investment returns	55
Notes to required supplementary information	56
Other Information	59
Required disclosures for Massachusetts educational collaboratives	60
Report on Internal Control Over Financial Reporting and on Compliance	63



100 Quannapowitt Parkway

Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

www.powersandsullivan.com

Independent Auditor's Report

To the Board of Directors
Southeastern Massachusetts Educational Collaborative
Dartmouth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Massachusetts Educational Collaborative (the "Collaborative"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Massachusetts Educational Collaborative, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 13, the financial statements for the year ending June 30, 2020, have been restated to reflect a correction in not recording prepaid expenses on the governmental funds balance sheet.

Other Matters

Financial Statements for the Year Ended June 30, 2020

The financial statements for the prior period were audited by a predecessor auditor, whose opinion dated November 30, 2020, was unmodified before the restatement mentioned above. As part of our audit of the 2021, financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the Collaborative other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collaborative's basic financial statements. The other information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of the Collaborative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pomeroy & Sullivan, LLC".

November 30, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

Southeastern Massachusetts Educational Collaborative's (the "Collaborative") Management Discussion and Analysis is designed to 1) assist the reader in focusing on significant financial issues 2) provide an overview of the Collaborative's financial activity, 3) identify changes in the Collaborative's financial position (its ability to address the next and subsequent year challenges, 4) identify any material deviations from the financial plan (approved budget) and 5) identify individual fund issues or concerns.

Since the Management Discussion and Analysis is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Collaborative's financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The Collaborative's tuition funding of \$4.6 million was from member public school systems and other non-member public school systems in Southeastern Massachusetts.
- The Massachusetts Department of Developmental Services and Massachusetts Commission for the Blind continue their support of the Collaboratives Supporting Adults for Inclusion Living (SAIL) program through various service contracts totaling \$2.8 million for the year.
- MassHealth supports the Adult Day Health (ADH) program by funding tuition based on consumer's attendance as well as reimbursing for transportation costs. Also, the Department of Elementary and Secondary Education (DESE) reimburses food costs for this program. MassHealth payments totaled \$928,000 for tuition and transportation costs and the DESE reimbursed the Collaborative \$37,000 for food costs during the year.
- The total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources (net position) for the year by \$95,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Southeastern Massachusetts Educational Collaborative's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

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

The government-wide financial statements distinguish functions that are principally supported by tuition charges for services and intergovernmental revenues (*governmental activities*). The governmental activities include

administration, instruction, other school services, operations and maintenance, fixed charges, intergovernmental on-behalf payments, health services, other postemployment benefits, summer programs, ADH, SAIL, and unallocated depreciation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. The focus of the Collaborative's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Collaborative's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Collaborative's own programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Collaborative's budgetary comparisons and its pension and other postemployment obligations, as well as *other information* as required by Massachusetts General Law (M.G.L.) Chapter 43 of the Acts of 2012.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$95,200 at the close of 2021 mainly due to the recording of a liability for postemployment benefits (OPEB) totaling \$2.9 million.

Net position of \$580,000 reflects the Collaborative's net investment in capital assets (e.g., building, building improvements, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Collaborative uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. The remaining balance of unrestricted net position resulted in a \$675,000 deficit mainly relating to the effect of recording other postemployment benefit liabilities through June 30, 2021.

Key components of the Collaborative's governmental financial position and governmental activities are summarized below:

	2021	2020
Assets:		
Current assets.....	\$ 2,252,842	\$ 2,254,440
Capital assets, non depreciable.....	90,000	90,000
Capital assets, net of accumulated depreciation....	489,532	586,226
Total assets.....	2,832,374	2,930,666
Deferred outflows of resources.....	532,161	240,737
Liabilities:		
Current liabilities (excluding debt).....	451,116	159,036
Noncurrent liabilities (excluding debt).....	2,851,280	2,574,596
Total liabilities.....	3,302,396	2,733,632
Deferred inflows of resources.....	157,338	-
Net position:		
Net investment in capital assets.....	579,532	676,226
Unrestricted.....	(674,731)	(238,455)
Total net position.....	\$ (95,199)	\$ 437,771
	2021	2020
Program Revenues:		
Charges for services.....	\$ 3,844,100	\$ 4,744,856
Operating grants and contributions.....	3,000,362	2,220,173
General Revenues:		
Tuition.....	4,604,276	4,805,750
Unrestricted investment income.....	574	1,504
Miscellaneous.....	26,097	99,793
Total revenues.....	11,475,409	11,872,076
Expenses:		
Administration.....	829,530	840,735
Instruction.....	3,074,755	3,153,607
Other school services.....	123,799	154,185
Operations and maintenance.....	146,559	145,858
Fixed charges.....	673,272	654,124
Intergovernmental on-behalf payments.....	2,866,814	2,220,173
Health services.....	183,736	247,599
Other postemployment benefits.....	164,345	173,668
Summer programs.....	111,047	121,725
ADH.....	1,083,630	937,691
Sail.....	2,654,198	3,365,348
Depreciation.....	96,694	96,653
Total expenses.....	12,008,379	12,111,366
Change in net position.....	(532,970)	(239,290)
Net position, beginning of year.....	437,771	677,061
Net position, end of year.....	\$ (95,199)	\$ 437,771

The Collaborative's net position decreased \$533,000 in 2021 as compared to a decrease of \$239,000 in 2020. The decrease in net position was mainly related to an operating budgetary deficit of \$265,000 as well as an increase in the overall net other postemployment benefit liability of \$164,000 and depreciation expense of \$97,000.

The Collaborative's charges for services decreased in the current year as well as the Collaborative's total expenses, which was mainly related to the SAIL program. This was mainly attributable to decreases in enrollments, which was a result of the Coronavirus Pandemic.

Financial Analysis of the Governmental Funds

As noted earlier, the Collaborative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Collaborative's net resources available for spending at the end of the year.

At the end of the current year, governmental funds reported combined ending fund balances of \$1.8 million. The general fund balance decreased by \$265,000 and there was no change to the capital reserve fund. The general fund is the Collaborative's chief operating fund. At year end, unassigned fund balance in the general fund totaled \$1.6 million and the nonspendable fund balance was \$206,000.

General Fund Budgetary Highlights

The Collaborative adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The original 2021 approved budget for the general fund authorized \$10.1 million in appropriations. During the year, the original budget decreased by \$1.4 million once more information was made available regarding estimated revenues.

Actual revenues were less than budget by \$313,000 and actual expenditures were more than the budget by \$94,000, mainly for instruction.

Capital Asset and Debt Administration

The Collaborative's net capital assets totaled \$580,000 as of June 30, 2021. The Collaborative did not purchase any capital assets in the current year. Depreciation expense in the amount of \$97,000 was recorded.

The Collaborative did not have any short term or long term debt outstanding as of June 30, 2021.

Please refer to the Notes 4 and 7 of the basic financial statements for further discussion of the capital asset and debt activity.

Collaborative Highlights

While still under the State and Federal states of Emergency, the Collaborative returned to in-person programming on a hybrid basis on July 6, 2020. Starting with half of the students and adult consumers, each coming on half of the typical weekly schedule, we moved to an 80% in person, 20% virtual schedule at the start of the 2020-2021 school year, limited only by staffing limitations and physical distancing requirements. Full time in-person scheduling returned to our adult programs in September 2020, at reduced capacity, and to our school programs at 100% available capacity in April 2021. Transportation remained at a significantly reduced capacity due to physical distancing requirements for most of the year.

The Fall River School Committee appointed a school committee member to the SMEC Board of Directors at the start of the 2020-2021 school year.

For fiscal year 2021, the Massachusetts Education and Government Association conducted an audit of SMEC's payroll records for the previous fiscal year. The Collaborative submitted all requested documentation and received a report back with no findings in October 2021.

For fiscal year 2021, the Department of Developmental Services (DDS) Division of Investigations conducted its annual audit of SMEC's policies and procedures around the administration of CORI screenings for employees. The audit found SMEC in compliance with all relevant regulations.

The DDS postponed SMEC's scheduled QUEST Program Compliance Audit which was scheduled for the spring of 2021 to the spring of 2022 and extended the Collaborative's licenses to operate day and residential programming accordingly.

Attempts to negotiate a lease with the Town of Fairhaven for the building known as the Rogers School Annex ultimately failed at Town Meeting in June of 2021. In addition, SMEC published multiple RFPs during FY21 for the lease or purchase of additional facility space but received no valid proposals.

SMEC applied for and received a MA Health Provider Access Grant in the amount of \$16,241 to purchase equipment for increased access for our ADH program.

Economic Factors and Next Year's Budget

The original fiscal year 2022 preliminary spending plan was approved at the June 22, 2021, Board meeting after a second reading. Due to the effects of COVID -19, the mandated rollover of state contracts, reduced capacity limits, staffing shortage and evolving state guidance, the 2021 budget proposal was based on our best estimates, historical trends and DDS contract requirements rather than proven revenue numbers. As of November 30, 2021, we are awaiting new state funding guidance on time limited enhanced payments for our adult programs effective July 1, 2021, to December 31, 2021, including promised funding targeted to human service staff recruitment and retention, and we are also awaiting pledged but uncertain federal Covid stimulus reimbursement funds from DESE, so as of November 30, 2021, our 2022 budget is still in flux.

Planned LEA program development and expansion in 2021/2022 is currently on hold due to ongoing Covid restrictions and the resulting fiscal impact, the inability to expand staffing and facilities and continued fiscal uncertainty. Plans to resume program growth and development planning during the spring of 2022 for FY23 implementation are in effect. One area of growth that has occurred during the fall of 2021 is the fulfillment of LEA requests for contracted staffing services.

The Collaborative will undergo a DESE Coordinated Program Review scheduled for the 2021-2022 school year. SMEC has completed the self-assessment online document submission portion of the audit and will welcome the DESE onsite team in May of 2022.

The Collaborative was due for a QUEST Quality Assurance audit of its SAIL day/employment and residential services in the Spring of 2021 but it has been postponed by DDS until the Spring of 2022.

The Collaborative will be investigating the possibility of applying for 501(c) 3 designation during 2022.

The Collaborative applied for a 2021 grant from MassHealth in the amount of \$25,870, to purchase equipment to facilitate increased access for people with disabilities to our Adult Day Health program. In November 2021, the Collaborative received notification that it would be awarded the grant in the amount of \$19,506.

As of November 2021, the Collaborative's ADH program enrollment and daily attendance has increased beyond pre-pandemic numbers. Based on current guidance, MA Health is continuing to provide enhanced rate payments until December 31, 2021.

In the spring of 2021, the Collaborative received a request from the Dartmouth Public Schools to take over the operation of the district's substantially separate therapeutic classroom at the Quinn Elementary School as of the start of the 2021-2022 school year. The Collaborative Board of Directors supported this plan, and the Collaborative began operating the Therapeutic Learning Program at Quinn Elementary School beginning in August 2021.

Requests for Information

This financial report is designed to provide a general overview of the Southeastern Massachusetts Educational Collaborative's finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Southeastern Massachusetts Educational Collaborative, 25 Russell Mills Road, Dartmouth, MA 02748.

Basic Financial Statements

This page left intentionally blank.

STATEMENT OF NET POSITION

JUNE 30, 2021

	<i>Primary Government</i>
	<u>Governmental Activities</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 837,573
Receivables, net of allowance for uncollectibles:	
Member tuition.....	723,703
Non member tuition.....	78,545
Intergovernmental.....	399,845
Other.....	7,589
Prepaid insurance.....	<u>205,587</u>
Total current assets.....	<u>2,252,842</u>
NONCURRENT:	
Capital assets, nondepreciable.....	90,000
Capital assets, net of accumulated depreciation.....	<u>489,532</u>
Total noncurrent assets.....	<u>579,532</u>
TOTAL ASSETS.....	<u>2,832,374</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other postemployment benefits.....	<u>532,161</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	18,820
Accrued payroll and related withholdings.....	403,678
Compensated absences.....	<u>28,618</u>
Total current liabilities.....	<u>451,116</u>
NONCURRENT:	
Net other postemployment benefits liability.....	<u>2,851,280</u>
TOTAL LIABILITIES.....	<u>3,302,396</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to other postemployment benefits.....	<u>157,338</u>
NET POSITION	
Net investment in capital assets.....	579,532
Unrestricted.....	<u>(674,731)</u>
TOTAL NET POSITION.....	<u>\$ (95,199)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
Administration.....	\$ 829,530	\$ 526,881	\$ 14,179	\$ -	\$ (288,470)
Instruction.....	3,074,755	-	34,930	-	(3,039,825)
Other school services.....	123,799	-	-	-	(123,799)
Operations and maintenance.....	146,559	-	-	-	(146,559)
Fixed charges.....	673,272	-	-	-	(673,272)
Intergovernmental on-behalf payments.....	2,866,814	-	2,866,814	-	-
Health services.....	183,736	-	-	-	(183,736)
Other postemployment benefits.....	164,345	-	-	-	(164,345)
Summer programs.....	111,047	-	-	-	(111,047)
ADH.....	1,083,630	964,340	16,035	-	(103,255)
SAIL.....	2,654,198	2,352,879	68,404	-	(232,915)
Unallocated depreciation.....	96,694	-	-	-	(96,694)
Total Governmental Activities.....	\$ 12,008,379	\$ 3,844,100	\$ 3,000,362	\$ -	\$ (5,163,917)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue from previous page.....	\$ (5,163,917)
<i>General revenues:</i>	
Tuition.....	4,604,276
Unrestricted investment income.....	574
Miscellaneous revenue.....	26,097
Total general revenues.....	<u>4,630,947</u>
Change in net position.....	(532,970)
<i>Net position:</i>	
Beginning of year.....	<u>437,771</u>
End of year.....	\$ <u><u>(95,199)</u></u>

See notes to basic financial statements.

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2021

	General	Capital Reserve Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 803,321	\$ 34,252	\$ 837,573
Receivables, net of uncollectibles:			
Member tuition.....	723,703	-	723,703
Non member tuition.....	78,545	-	78,545
Intergovernmental.....	399,845	-	399,845
Other.....	7,589	-	7,589
Prepaid Insurance.....	205,587	-	205,587
TOTAL ASSETS.....	\$ 2,218,590	\$ 34,252	\$ 2,252,842
LIABILITIES			
Warrants payable.....	\$ 18,820	\$ -	\$ 18,820
Accrued payroll and related withholdings.....	403,678	-	403,678
TOTAL LIABILITIES.....	422,498	-	422,498
FUND BALANCES			
Nonspendable.....	205,587	-	205,587
Committed.....	-	34,252	34,252
Unassigned.....	1,590,505	-	1,590,505
TOTAL FUND BALANCES.....	1,796,092	34,252	1,830,344
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 2,218,590	\$ 34,252	\$ 2,252,842

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2021

Total governmental fund balances.....	\$ 1,830,344
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	579,532
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not reported.....	374,823
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Net other postemployment benefits liability.....	(2,851,280)
Compensated absences.....	<u>(28,618)</u>
Net effect of reporting long-term liabilities.....	<u>(2,879,898)</u>
Net position of governmental activities.....	\$ <u>(95,199)</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2021

	General	Capital Reserve Fund	Total Governmental Funds
REVENUES:			
Member tuition.....	\$ 4,172,916	\$ -	\$ 4,172,916
Non-member tuition.....	431,360	-	431,360
Department of Developmental Services.....	2,632,814	-	2,632,814
Massachusetts Commission for the Blind.....	147,284	-	147,284
Department of Elementary and Secondary Education.....	36,611	-	36,611
MassHealth.....	927,729	-	927,729
Intergovernmental.....	117,513	-	117,513
Intergovernmental for on-behalf payments.....	2,866,814	-	2,866,814
Professional development.....	99,662	-	99,662
Miscellaneous.....	42,132	-	42,132
Investment income.....	574	-	574
TOTAL REVENUES.....	11,475,409	-	11,475,409
EXPENDITURES:			
Current:			
Administration.....	822,659	-	822,659
Instruction.....	3,074,755	-	3,074,755
Other school services.....	123,799	-	123,799
Operations and maintenance.....	146,559	-	146,559
Fixed charges.....	673,272	-	673,272
Intergovernmental on-behalf payments.....	2,866,814	-	2,866,814
Health services.....	183,736	-	183,736
Summer programs.....	111,047	-	111,047
SAIL.....	2,654,198	-	2,654,198
ADH.....	1,083,630	-	1,083,630
TOTAL EXPENDITURES.....	11,740,469	-	11,740,469
NET CHANGE IN FUND BALANCES.....	(265,060)	-	(265,060)
FUND BALANCES AT BEGINNING OF YEAR (As Restated).....	2,061,152	34,252	2,095,404
FUND BALANCES AT END OF YEAR.....	\$ 1,796,092	\$ 34,252	\$ 1,830,344

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds.....	\$ (265,060)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense.....	<u>(96,694)</u>
Net effect of reporting capital assets.....	(96,694)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Net change in compensated absences accrual.....	(6,871)
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..	134,086
Net change in net other postemployment benefits liability.....	<u>(298,431)</u>
Net effect of recording long-term liabilities.....	<u>(171,216)</u>
Change in net position of governmental activities.....	\$ <u><u>(532,970)</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Other Postemployment Benefit Trust Fund
ASSETS	
Cash and cash equivalents.....	\$ 8,479
Investments:	
Equity mutual funds.....	103,085
Fixed income mutual funds.....	383,826
TOTAL ASSETS.....	495,390
NET POSITION	
Restricted for other postemployment benefits.....	\$ 495,390

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions for other postemployment benefit payments.... \$	116,920
Net investment income:	
Investment income.....	107,618
Less: investment expense.....	(779)
Net investment income (loss).....	106,839
TOTAL ADDITIONS.....	223,759
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	116,920
NET INCREASE (DECREASE) IN NET POSITION.....	106,839
NET POSITION AT BEGINNING OF YEAR.....	388,551
NET POSITION AT END OF YEAR..... \$	495,390

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeastern Massachusetts Educational Collaborative (the “Collaborative”) is a public educational collaborative formed under Chapter 40 Section 4E and Chapter 797 of the General Laws of the Commonwealth of Massachusetts, by member school districts from the Cities and Towns of Acushnet, Dartmouth, Fairhaven, Fall River, Marion, Mattapoisett, Rochester, Old Rochester Regional School District, New Bedford, and Greater New Bedford Regional Vocational Technical High School. The primary purpose of the Collaborative is to expand the quality of special educational services that can be provided more effectively and efficiently by pooling the resources and students of several school districts.

The Collaborative’s programs and services are primarily intended for its members; however, nonmembers may also participate.

Governance of the Collaborative is vested in a 10-member Board of Directors (the “Board”) comprised of one representative appointed by each member school committee. The Board appoints an Executive Director who is the chief operating official for the Collaborative and who reports directly to the Board.

The accompanying basic financial statements of the Southeastern Massachusetts Educational Collaborative have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Collaborative accounting policies are described herein.

A. Reporting Entity

For financial reporting purposes, the Collaborative has included all funds, organizations, agencies, boards, commissions, and institutions. The Collaborative has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Collaborative are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Collaborative (the primary government) and its component units. The Collaborative has no component units that require inclusion in these basic financial statements.

The primary government consists of all funds and departments which provide various services including administrative, instructional, health, summer program, adult program, and other. The Collaborative Board of Directors and Executive Director are directly responsible for these activities.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by member assessments, state, and other intergovernmental revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Other items not identifiable as program revenues are reported as general revenues.

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

Fund Financial Statements

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.

Investment income is susceptible to accrual. Other receipts and revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *capital reserve fund* is used to support costs associated with the acquisition, maintenance, and improvement of capital assets, including real property, to benefit the Collaborative.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

D. Cash and Investments*Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Southeastern Massachusetts Educational Collaborative reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. See Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Due from member and non-member tuitions

Member and non-member tuition receivables consist of tuition payments due to the Collaborative from various member communities and non-member communities.

Intergovernmental and other

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories*Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets*Government-Wide Financial Statements*

Capital assets, which include buildings, building improvements, vehicles, and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, when actual historical cost could not be determined. Donated capital assets are recorded at acquisition value.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Building.....	40
Building improvements.....	25-30
Vehicles.....	5
Equipment.....	5-7

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/(Inflows) of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Collaborative reported deferred outflows related to other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue)

until that time. The Collaborative reported deferred inflows related to other postemployment benefits in this category.

Government Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents amounts that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Collaborative did not have any elements that qualify for reporting in this category.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers within governmental funds are eliminated from the governmental activities in the statement of activities.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Sometimes the Collaborative will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position

and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Collaborative's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

"Assigned" fund balance includes amounts that are constrained by the Collaborative's intent to be used for specific purposes, but are neither restricted nor committed.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Collaborative's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as administrative expenditures.

N. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

O. Pensions

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

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Accumulated sick pay for the Executive Director is accrued and vested at 25% of accumulated sick days up to a maximum of 180 days. For all other employees, accumulated sick pay is not accrued in the governmental funds, as employees are not vested and are not paid out for unused sick days upon termination of employment although unused sick days may be accumulated to a maximum of 180 days.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Collaborative's deposits may not be returned to it. The Collaborative does not have a formal deposit policy for custodial credit risk.

At year-end, the carrying amount of deposits totaled \$837,573 and the bank balance totaled \$1,310,207. Of the bank balance, \$405,431 was covered by Federal Depository Insurance, \$701,591 was collateralized, and \$203,185 was subject to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Collaborative holds investments in the OPEB Trust Fund, and the Collaborative's investment policy indicates that investments held in the trust will be adequately diversified and risk controls will be maintained within the subcategories agreed upon within the investment policy statement. The investments held in the trust will adhere to the prudent investor rule established in the MGL Chapter 203c.

The Collaborative holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Collaborative mission, the Collaborative determines that the disclosures related to these investments only need to be disaggregated by major type. The Collaborative chooses a narrative format for disclosing the levels within the fair value hierarchy.

The Collaborative categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2021, the Collaborative had \$103,085 invested in equity mutual funds, \$383,826 invested in fixed income mutual funds, and \$8,479 invested in money market mutual funds. These investments are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Collaborative's investment policy specifies that the financial institution's financial statements will be reviewed as well as the background of the sales representative before investing with the financial institution to limit the OPEB Trust Fund's exposure to only institutions with proven financial strength, capital adequacy and overall affirmative reputation in the municipal industry.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Collaborative will manage interest rate risk by managing duration in the account.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfil its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Because obligations of the United States Government and some of its agencies are not considered to have credit risk, the Collaborative does not limit the amount it can invest in these securities. For fixed income investments, the Collaborative's investment policy only allows for purchases of investment grade securities with a high concentration in securities rated A or better. These investments in fixed income securities will be made primarily for income and capital preservation. For lower-quality investments, the Collaborative's investment policy only allows for these investments to be held through diversified vehicles, such as mutual funds or exchange-traded funds. Also, the investment policy specifies that there is no limit to the amount of funds that can be placed in MMDT. The Collaborative's investments in fixed income and money market mutual funds were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Collaborative's investment in a single issuer. The Collaborative's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of U.S. Government Agencies) will not exceed 5% of the total portfolio value. At June 30, 2021, no more than 5% of the Collaborative's investments were invested in any one corporate issuer.

NOTE 3 – RECEIVABLES

At June 30, 2021, receivables for the major governmental funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Member tuition.....	\$ 723,703	\$ -	\$ 723,703
Non member tuition.....	78,545	-	78,545
Intergovernmental.....	399,845	-	399,845
Other.....	7,589	-	7,589
Total.....	\$ 1,209,682	\$ -	\$ 1,209,682

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 90,000	\$ -	\$ -	\$ 90,000
<u>Capital assets being depreciated:</u>				
Building.....	204,838	-	-	204,838
Building improvements.....	218,183	-	-	218,183
Vehicles.....	693,815	-	-	693,815
Equipment.....	101,635	-	-	101,635
Total capital assets being depreciated.....	1,218,471	-	-	1,218,471
<u>Less accumulated depreciation for:</u>				
Building.....	(111,809)	(5,121)	-	(116,930)
Building improvements.....	(16,597)	(8,081)	-	(24,678)
Vehicles.....	(446,476)	(67,210)	-	(513,686)
Equipment.....	(57,363)	(16,282)	-	(73,645)
Total accumulated depreciation.....	(632,245)	(96,694)	-	(728,939)
Total capital assets being depreciated, net.....	586,226	(96,694)	-	489,532
Total governmental activities capital assets, net.....	\$ 676,226	\$ (96,694)	\$ -	\$ 579,532

Unallocated depreciation expense totaled \$96,694 for the year ended June 30, 2021.

NOTE 5 – OPERATING LEASES

The Collaborative has entered into a lease agreement for the Collaborative's administrative office building and a building used for other various programs, which ends on June 30, 2026. The 2021, lease payments under this agreement totaled \$340,200.

The future operating lease payments under this agreement are as follows:

<u>Years ending June 30:</u>	
2022.....	\$ 352,998
2023.....	363,588
2024.....	374,496
2025.....	385,734
2026.....	<u>391,440</u>
Total	\$ <u>1,868,256</u>

Furthermore, in 2017, the Collaborative entered into a lease agreement with the Town of Fairhaven, Massachusetts for the use of a school building owned by the Town. In 2021, the Collaborative made the final lease payment related to this agreement totaling approximately \$38,700. Subsequent to year end, and upon expiration of the agreement, the parties elected to extend the agreement beginning in 2022 for approximately \$40,000 per year, increasing to approximately \$45,000 through 2026.

The Collaborative also rents various individual classrooms in locations across various Towns in the area through operating lease agreements on an individual annual basis. Rental expenditures for 2021, for these agreements totaled \$91,900.

NOTE 6 – LOANS PAYABLEShort-Term Financing

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS)
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest on short-term borrowings are accounted for in the general fund. As of June 30, 2021, the Collaborative had no short-term financing.

Line of Credit

On July 24, 2021, the Collaborative was approved for a line of credit agreement with Rockland Trust that provides for secured borrowings of up to \$200,000. The secured line of credit is on a revolving basis and is payable on

demand as well as subject to review on an annual basis for renewal. As collateral for the loan, the Collaborative grants the bank a valid first mortgage on the property located in New Bedford, Massachusetts along with the assignment of rents and leases. In addition, the Collaborative grants the bank a valid first security interest in all business assets. The principal amount of the loan outstanding bears interest at an annual floating rate using the national prime rate plus 0.50% per annum.

For the year ended June 30, 2021, the Collaborative had not drawn down any amounts on this line of credit.

Changes in Long-term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences.....	\$ 21,747	\$ 28,618	\$ (21,747)	\$ 28,618	\$ 28,618
Net other postemployment benefits.....	2,552,849	415,351	(116,920)	2,851,280	-
Total governmental activity long-term liabilities.....	\$ 2,574,596	\$ 443,969	\$ (138,667)	\$ 2,879,898	\$ 28,618

NOTE 7 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Collaborative has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Collaborative's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose. In other governmental funds, the unassigned classification is used to only report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Collaborative applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

As of June 30, 2021, the governmental fund balances consisted of the following:

	General	Capital Reserve Fund	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Prepaid insurance.....	\$ 205,587	\$ -	\$ 205,587
Committed to:			
Capital reserve.....	-	34,252	34,252
Unassigned.....	1,590,505	-	1,590,505
Total Fund Balances.....	\$ 1,796,092	\$ 34,252	\$ 1,830,344

Per request of the member school committees, the Collaborative Board approved the establishment of a capital reserve fund to support costs associated with the acquisition, maintenance, and improvement of capital assets, including real property, to benefit the Collaborative with a maximum cumulative reserve balance of \$500,000 as amended. In 2020, the Board began to allow the Collaborative to use capital reserve funds for improvements at any Collaborative property which has a valid long-term lease, over five years.

The Board voted to make an initial deposit up to a maximum of \$50,000 from the 2015 surplus funds and/or cumulative general surplus funds into the restricted capital reserve account. Since inception of the fund, the Board has voted to transfer various sums of money from surplus funds to the restricted capital reserve fund for various capital uses.

NOTE 8 – RISK FINANCING

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Collaborative carries commercial insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Collaborative participates in premium-based health care plans for its employees and retirees.

NOTE 9 – PENSION PLAN

Plan Descriptions

The Collaborative is a member of the Massachusetts State Employees' Retirement System (MSERS), a public employee retirement system that administers a cost-sharing multi-employer defined benefit plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The MSERS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

The Collaborative is also a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situations

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Collaborative's teachers and retired teachers to the MTRS. Therefore, the Collaborative is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Collaborative does not contribute directly to MTRS, the Collaborative does not have a net pension liability. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2020. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$801,304 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$6,487,540 as of the measurement date.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives. Therefore, the Collaborative does not have a net pension liability. The Collaborative's required contribution to MSERS equaled its actual contribution for the year ended December 31, 2020, which was \$308,922 and 6.1% of covered payroll.

The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the non-teaching employees of the Collaboratives and therefore has a 100% special funding situation. The total of the Commonwealth provided contributions are allocated based on each employer's covered payroll to the total covered payroll of employers in MSERS as of the measurement date of June 30, 2020. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$2,065,510 is reported as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$13,836,113 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Collaborative administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Collaborative's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Collaborative and the unions representing Collaborative employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are also negotiated between the Collaborative and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Collaborative contributes 50 percent of the cost of medical insurance premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For 2021, the Collaborative contributed approximately \$116,920 towards these benefits, which consisted of the pay-as-you-go financing requirement for plan benefits.

The Commonwealth of Massachusetts passed special legislation that has allowed the Collaborative to establish a postemployment benefit trust fund and to enable the Collaborative to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2021, the Collaborative did not contribute additional funds to the OPEB trust fund in excess of the pay-as-you-go required contributions. As of June 30, 2021, the balance of this fund totaled \$495,390.

Plan Membership

The following table represent the Plan's membership at July 1, 2019:

Active members.....	148
Inactive members currently receiving benefits.....	<u>7</u>
Total.....	<u><u>155</u></u>

Components of OPEB liability

The following table represent the components of the Plan's OPEB liability as of June 30, 2021:

Total OPEB liability.....	\$	3,346,670
Less: OPEB plan's fiduciary net position.....		<u>(495,390)</u>
Net OPEB liability.....	\$	<u>2,851,280</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		14.80%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2019, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2021:

Valuation date.....	July 1, 2019, updated to June 30, 2021.
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Fair Value of Assets.
Investment rate of return.....	6.75, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.75%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2021 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2021, and for future periods.
Municipal bond rate.....	2.18% as of June 30, 2021 (S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Mortality rates:	
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.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 27.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 4.50% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 7.00%. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021, are summarized in the table on the following page:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity- large cap.....	47.00%	4.90%
Domestic equity- small/mid cap.....	7.25%	5.40%
International equity-developed markets..	6.25%	5.32%
International equity-emerging markets...	3.00%	6.26%
Domestic fixed income.....	16.75%	1.40%
International fixed income.....	1.75%	1.30%
Alternatives.....	10.50%	6.32%
Real estate.....	5.75%	6.25%
Cash and cash equivalents.....	1.75%	0.00%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 4.75% as of June 30, 2021, and 5.50% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Collaborative's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 2.18% as of June 30, 2021. The S&P Municipal Bond 20 – Year High Grade Index is the index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020.....	\$ 2,941,400	\$ 388,551	\$ 2,552,849
Changes for the year:			
Service cost.....	121,415	-	121,415
Interest.....	165,283	-	165,283
Changes in Assumptions.....	235,492	-	235,492
Investment income.....	-	106,839	(106,839)
Contributions to trust.....	-	116,920	(116,920)
Benefit payments.....	(116,920)	(116,920)	-
Net change.....	405,270	106,839	298,431
Balance at June 30, 2021.....	\$ <u>3,346,670</u>	\$ <u>495,390</u>	\$ <u>2,851,280</u>

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

The following table presents the net other postemployment benefit liability, calculated using the discount rate of 4.75%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) or 1-percentage-point higher (5.75%) than the current rate.

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB liability.....	\$ <u>3,222,254</u>	\$ <u>2,851,280</u>	\$ <u>2,528,894</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 4.50%, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Net OPEB liability.....	\$ <u>2,532,330</u>	\$ <u>2,851,280</u>	\$ <u>3,229,057</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Collaborative recognized OPEB expense of \$333,289. At June 30, 2021, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB of \$532,161 and \$157,338, respectively, from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 141,567	\$ (100,343)	\$ 41,224
Difference between projected and actual earnings, net.....	-	(56,995)	(56,995)
Changes in assumptions.....	390,594	-	390,594
Total deferred outflows/(inflows) of resources.....	\$ 532,161	\$ (157,338)	\$ 374,823

Amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022.....	\$ 72,818
2023.....	72,816
2024.....	73,637
2025.....	70,589
2026.....	51,323
2027.....	33,640
Total.....	\$ 374,823

Changes of Assumption

The discount rate decreased from 5.50% as of June 30, 2020, to 4.75% as of June 30, 2021.

Changes in Plan Provisions

None.

NOTE 11 – CONTINGENCIES

Various legal actions and claims are pending against the Collaborative. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2021 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

NOTE 12 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Collaborative is considered an essential business and although it was closed to the public for a period of time, classes remained operational, and most employees continued to perform their daily duties.

While still under the State and Federal States of Emergency, on July 6, 2020, the Collaborative returned to in-person programming on a hybrid basis. The hybrid basis consisted of half of the students and adult consumers each resuming in-person learning on half of the typical weekly schedule. At the start of the 2020 to 2021 school year, the Collaborative moved to an 80% in-person 20% virtual schedule, limited only by staffing limitations and physical distancing requirements. In September 2020, the Collaborative's adult programs resumed full time in-person scheduling at reduced capacity and the Collaborative resumed school programs at full available capacity in April 2021. Transportation remained at a significantly reduced capacity due to physical distance requirements for most of the year.

NOTE 13 – RESTATEMENT OF FUND BALANCE PREVIOUSLY REPORTED

Fund balance previously reported in the Collaborative's general fund has been restated to reflect a correction in recording prepaid insurance. Prepaid insurance was previously reported only on the entity-wide statements, however, was restated to also be recorded on the governmental funds balance sheet under GAAP. Previously reported fund balance of \$1,862,801 was restated by \$198,351, resulting in a beginning fund balance totaling \$2,061,152.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2021, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, Leases, which is required to be implemented in 2022.
- The GASB issued Statement #89, Accounting for Interest Cost Incurred before the End of a Construction Period, which is required to be implemented in 2022.
- The GASB issued Statement #91, Conduit Debt Obligations, which is required to be implemented in 2023.
- The GASB issued Statement #92, Omnibus 2020, which is required to be implemented in 2022.
- The GASB issued Statement #93, Replacement of Interbank Offered Rates, which is required to be implemented in 2022.
- The GASB issued Statement #94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, which is required to be implemented in 2023.
- The GASB issued Statement #96, Subscription-Based Information Technology Arrangements, which is required to be implemented in 2023.
- The GASB issued Statement #97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, which is required to be implemented in 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Collaborative. It is used to account for all the financial resources, except those required to be accounted for in another fund.

This page left intentionally blank.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Member tuition.....	\$ 4,332,000	\$ 4,178,261	\$ 4,172,916	\$ -	\$ (5,345)
Non-member tuition.....	473,000	324,496	431,360	-	106,864
Department of Developmental Services.....	3,984,000	3,070,883	2,632,814	-	(438,069)
Massachusetts Commission for the Blind.....	144,000	143,730	147,284	-	3,554
Department of Elementary and Secondary Education.....	42,000	38,425	36,611	-	(1,814)
MassHealth.....	1,170,000	1,031,838	927,729	-	(104,109)
Intergovernmental.....	-	-	117,513	-	117,513
Professional development.....	104,000	124,900	99,662	-	(25,238)
Miscellaneous.....	70,000	9,390	42,132	-	32,742
Investment income.....	-	-	574	-	574
TOTAL REVENUES.....	10,319,000	8,921,923	8,608,595	-	(313,328)
EXPENDITURES:					
Current:					
Administration.....	879,234	879,305	822,659	-	56,646
Instruction.....	3,183,086	2,839,126	3,074,755	-	(235,629)
Other school services.....	176,850	141,978	123,799	-	18,179
Operations and maintenance.....	157,018	187,137	146,559	-	40,578
Fixed charges.....	745,957	694,377	673,272	-	21,105
Health services.....	226,339	184,650	183,736	-	914
Summer programs.....	123,901	111,047	111,047	-	-
SAIL.....	3,533,300	2,681,709	2,654,198	-	27,511
ADH.....	1,119,998	1,060,071	1,083,630	-	(23,559)
TOTAL EXPENDITURES.....	10,145,683	8,779,400	8,873,655	-	(94,255)
NET CHANGE IN FUND BALANCE.....	173,317	142,523	(265,060)	-	(407,583)
FUND BALANCES AT BEGINNING OF YEAR, As Restated.....	2,061,152	2,061,152	2,061,152	-	-
FUND BALANCES AT END OF YEAR.....	\$ 2,234,469	\$ 2,203,675	\$ 1,796,092	\$ -	\$ (407,583)

See notes to required supplementary information.

Collaborative Pension Plan Schedules

The Schedule of Collaborative's Contributions presents multi-year trend information on the Collaborative's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts State Employees Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Collaborative along with related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Collaborative along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

SCHEDULE OF CONTRIBUTIONS
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the collaborative's required and actual contribution for the normal cost; covered payroll; and contributions recognized by the pension plan in relation to the covered payroll.

Year	Collaborative's Statutory Required and Actual Contribution for Normal Cost	Collaborative's Covered Payroll	Amount of Contributions Recognized by the Pension Plan in Relation to Covered Payroll
2021.....	\$ 308,922	\$ 5,064,295	6.10%
2020.....	268,358	4,399,311	6.10%
2019.....	297,556	4,877,967	6.10%
2018.....	247,281	4,415,732	5.60%
2017.....	222,012	3,964,500	5.60%
2016.....	210,599	3,760,696	5.60%
2015.....	177,401	3,167,875	5.60%

Note: 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 notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM**

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the nonteacher employees and retirees covered under the Massachusetts State Employees Retirement System.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the collaborative; the portion of the collective pension expense as both a revenue and pension expense recognized by the collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2021.....	\$ 13,836,113	\$ 2,065,510	62.48%
2020.....	11,412,139	1,895,727	66.28%
2019.....	11,008,959	1,450,352	67.91%
2018.....	9,795,622	1,267,485	67.21%
2017.....	9,814,472	1,363,015	63.48%
2016.....	7,674,190	859,294	67.87%
2015.....	4,439,451	315,691	76.32%

Note: 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 notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the teacher and retired teachers covered under the Massachusetts Teachers' Retirement System.

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2021.....	\$ 6,487,540	\$ 801,304	50.67%
2020.....	5,666,368	687,145	53.95%
2019.....	4,923,807	498,957	54.84%
2018.....	4,636,745	483,951	54.25%
2017.....	4,243,316	432,846	52.73%
2016.....	3,440,564	279,060	55.38%
2015.....	2,635,895	183,128	61.64%

Note: 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 notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Collaborative's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of the Collaborative's Contributions presents multi-year trend information on the Collaborative's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
COLLABORATIVE'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability					
Service Cost.....	\$ 143,374	\$ 121,095	\$ 135,798	\$ 115,908	\$ 121,415
Interest.....	96,650	106,134	129,668	130,106	165,283
Differences between expected and actual experience....	247,743	-	-	(140,481)	-
Changes of assumptions.....	-	-	-	264,242	235,492
Benefit payments.....	(47,992)	(79,618)	(94,416)	(101,900)	(116,920)
Net change in total OPEB liability.....	439,775	147,611	171,050	267,875	405,270
Total OPEB liability - beginning.....	1,915,089	2,354,864	2,502,475	2,673,525	2,941,400
Total OPEB liability - ending (a).....	<u>\$ 2,354,864</u>	<u>\$ 2,502,475</u>	<u>\$ 2,673,525</u>	<u>\$ 2,941,400</u>	<u>\$ 3,346,670</u>
Plan fiduciary net position					
Employer contributions.....	\$ 50,000	\$ 25,000	\$ 125,000	\$ -	\$ -
Employer contributions for OPEB payments.....	47,992	79,618	94,416	101,900	116,920
Net investment income.....	7,836	12,150	18,840	10,523	106,839
Benefit payments.....	(47,992)	(79,618)	(94,416)	(101,900)	(116,920)
Net change in plan fiduciary net position.....	57,836	37,150	143,840	10,523	106,839
Plan fiduciary net position - beginning of year.....	139,202	197,038	234,188	378,028	388,551
Plan fiduciary net position - end of year (b).....	<u>\$ 197,038</u>	<u>\$ 234,188</u>	<u>\$ 378,028</u>	<u>\$ 388,551</u>	<u>\$ 495,390</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 2,157,826</u>	<u>\$ 2,268,287</u>	<u>\$ 2,295,497</u>	<u>\$ 2,552,849</u>	<u>\$ 2,851,280</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	8.37%	9.36%	14.14%	13.21%	14.80%
Covered-employee payroll.....	\$ 6,502,663	\$ 6,697,743	\$ 6,898,675	\$ 6,038,644	\$ 6,219,803
Net OPEB liability as a percentage of covered-employee payroll.....	33.18%	33.87%	33.27%	42.28%	45.84%

Note: 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 notes to required supplementary information.

SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

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, 2021.....	\$ 241,477	\$ (116,920)	\$ 124,557	\$ 6,219,803	1.88%
June 30, 2020.....	282,401	(101,900)	180,501	6,038,644	1.69%
June 30, 2019.....	272,674	(219,416)	53,258	6,898,675	3.18%
June 30, 2018.....	257,252	(104,618)	152,634	6,697,743	1.56%
June 30, 2017.....	273,584	(97,992)	175,592	6,502,663	1.51%

Note: 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 notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2021.....	27.50%
June 30, 2020.....	2.78%
June 30, 2019.....	8.04%
June 30, 2018.....	5.80%
June 30, 2017.....	5.63%

Note: 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 notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING**A. Budgetary Information**

The Collaborative adopts a balanced budget that is approved by the District's Board of Directors. The Executive Director presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Board, which has the full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the budget subsequent to the approval of the annual budget require majority Board approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

The Collaborative adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2021 approved budget for the general fund authorized approximately \$10.1 million in appropriations. During 2021, the original budget decreased by approximately \$1.4 million.

The Director of Finance and Operations has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, a budgetary basis of accounting is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2021, is presented below:

Net change in fund balance - budgetary basis.....	\$	(265,060)
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		2,866,814
Recognition of expenditures for on-behalf payments.....		<u>(2,866,814)</u>
Net change in fund balance - GAAP basis.....	\$	<u>(265,060)</u>

NOTE B – PENSION PLAN***Pension Plan Schedules*****A. Schedule of Collaborative's Contributions**

A special funding situation was created by Massachusetts General Laws for all Educational Collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives.

B. Schedules of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the Collaborative which create two special funding situations.

- The MSERS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the portion of the collective pension expense as both revenue and pension expense recognized by the Collaborative; and the Plan's fiduciary net position as a percentage of the total liability.
- The MTRS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the portion of the collective pension expense as both revenue and pension expense recognized by the Collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Collaborative administers a single-employer defined benefit healthcare plan (the “Other Postemployment Benefit Plan”). The plan provides lifetime healthcare for eligible retirees and their spouses through the Collaborative’s health insurance plan, which covers both active and retired members.

The Other Postemployment Benefit Plan

The Schedule of Changes in the Collaborative’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Collaborative’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Collaborative’s Contributions

The Schedule of the Collaborative’s Contributions includes the Collaborative’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Collaborative is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered employee payroll.

Valuation date.....	July 1, 2019, updated to June 30, 2021.
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Fair Value of Assets.
Investment rate of return.....	6.75, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.75%, net of OPEB plan investment expense, including inflation.

Inflation rate.....	2.50% as of June 30, 2021 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2021, and for future periods.
Municipal bond rate.....	2.18% as of June 30, 2021 (S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Mortality rates:	
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.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment benefits assets, net of investment expense.

Changes of Assumptions

The discount rate decreased from 5.50% as of June 30, 2020, to 4.75% as of June 30, 2021.

Changes in Provisions

None.

Other Information

REQUIRED DISCLOSURES FOR MASSACHUSETTS EDUCATIONAL COLLABORATIVES

The following information is provided to conform to the requirements of the Massachusetts Session Law, Chapter 43 of the Acts of 2012: An Act Relative to Improving Accountability and Oversight of Education Collaboratives. This law was adopted in March of 2012 and constitutes a comprehensive amendment to Massachusetts General Law, Chapter 40, Section 4E which establishes the requirements for the formation and administration of Educational Collaboratives in Massachusetts.

NOTE 1 – TRANSACTIONS BETWEEN THE EDUCATIONAL COLLABORATIVE AND ANY RELATED FOR-PROFIT OR NON-PROFIT ORGANIZATION

There are no related organizations that the Collaborative is associated with and therefore no transactions to report.

NOTE 2 – TRANSACTIONS OR CONTRACTS RELATED TO THE PURCHASE, SALE, RENTAL, OR LEASE OF REAL PROPERTY

The Collaborative has entered into a lease agreement for the Collaborative's administrative office building and a building used for other various programs, which ends on June 30, 2026. The future operating lease payments under this agreement are detailed in Note 5 to the financial statements.

In 2017, the Collaborative has entered into a lease agreement with the Town of Fairhaven, Massachusetts for the use of a school building owned by the Town. Subsequent to year end, and upon expiration of the agreement, the parties elected to extend the agreement beginning in 2022 for approximately \$40,000 per year, increasing to approximately \$45,000 through 2026.

The Collaborative also rents various individual classrooms in locations across various Towns in the area through operating lease agreements on an individual annual basis.

Total approximate current year lease payments made by the Collaborative are as follows:

Lessor	Total Approximate 2021 Payments
Four Kings, LLC.....	\$ 340,200
Rochester Public Schools.....	20,800
Mattapoisett Public Schools.....	20,800
Old Rochester Regional School District.....	12,200
Fairhaven Public Schools.....	56,000
Dartmouth Public Schools.....	8,600
Acushnet Public Schools.....	12,200
Total.....	<u>470,800</u>

NOTE 3 – NAMES, DUTIES, AND TOTAL COMPENSATION OF THE FIVE MOST HIGHLY COMPENSATED EMPLOYEES

The following table presents the total compensation for the Collaborative's five most highly compensated employees for the year ended December 31, 2020, as reported on IRS form W-2, Wage and Tax Statement:

Name	Employee Position	Total Compensation
Catherine Cooper.....	Executive Director.....	\$ 162,199
Christopher Haraden.....	Director of Finance and Operations.....	106,515
Michelle Goettlich.....	Student Services Director.....	99,317
Kimberly Wilmot.....	Assistant Student Services Director.....	93,740
Sean Mitchell.....	Assistant Director for the SAIL Program.....	83,588

NOTE 4 – AMOUNTS EXPENDED ON ADMINISTRATION AND OVERHEAD

For the year ended June 30, 2021, the Collaborative expended \$421,420 and \$401,239 related to administration and overhead, respectively.

NOTE 5 – ACCOUNTS HELD BY THE COLLABORATIVE THAT MAY BE SPENT AT THE DISCRETION OF ANOTHER PERSON OR ENTITY

At June 30, 2021, there are no accounts held by the Collaborative that may be spent at the discretion of another person or entity. The Collaborative did establish an OPEB Trust Fund that is under the direction of the OPEB Board of Trustees.

NOTE 6 – AMOUNTS EXPENDED ON SERVICES FOR INDIVIDUALS WITH DISABILITIES, 22 YEARS OF AGE OR OLDER

For the year ending June 30, 2021, the Collaborative spent \$2,654,198 and \$1,083,630 for the Supporting Adults for Inclusive Living (SAIL) program and Adult Day Health (ADH) program, respectively. These programs serve individuals over the age of 22.

NOTE 7 – ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS

Certified Cumulative Surplus is defined as the amount of general fund surplus in the collaborative accounts, as certified through an independent audit. Cumulative surplus is derived from a collaborative's unexpended general funds over a number of fiscal years. General funds are for the most part, the funds that a collaborative receives from school districts for tuitions, dues, fees for service, surcharges and related interest, as well as indirect costs allowed under certain grant awards not earmarked under the conditions of the funding for a specific purpose.

The Board of Directors voted to approve and retain \$1,796,092 as the amount designated as Cumulative Surplus from general funds remaining in the Collaborative's accounts as of June 30, 2021. This amount does not exceed the limit of 25% of general fund expenditures for the year.

The following is the Collaborative's calculation of cumulative surplus:

(A)	Voted Cumulative Surplus as of June 30, 2020, as restated.....	\$	2,061,152	<u>p. N/A</u>
(B)	1. Amount of (A) used to support the FY21 budget.....	\$	-	
	2. Amount of (A) returned to member districts.....		-	
	Subtotal.....		-	
	Prior year cumulative surplus less amounts used or returned.....	\$	<u>2,061,152</u>	
(C)	Unexpended Fiscal Year 2021 General Funds.....		(265,060)	<u>p. 16</u>
(D)	Cumulative Surplus as of June 30, 2021.....		<u>1,796,092</u>	
(E)	Fiscal Year 2021 Total General Fund Expenditures*.....		<u>8,873,655</u>	<u>p. 18</u>
(F)	Cumulative Surplus Percentage.....		<u>20.24%</u>	<u>p. N/A</u>
(G)	Cumulative Surplus as of June 30, 2021.....	\$	<u>1,796,092</u>	
	25% Limit (Allowed).....	\$	<u>2,218,414</u>	
(H)	Cumulative Surplus Reductions:			
	1. Credited to member districts for tuition, services, etc.....	\$	-	
	2. Deposited to an established trust and/or reserve fund.....		-	
	3. Returned (check) to school districts/towns.....		-	
	Total reductions.....	\$	<u>-</u>	
	Cumulative Surplus as of June 30, 2021 after reduction.....		<u>20.24%</u>	

* Exclusive of intergovernmental on-behalf payments

***Report on Internal Control Over Financial
Reporting and on Compliance***

This page left intentionally blank



100 Quannapowitt Parkway
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

www.powersandsullivan.com

**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**

Independent Auditor's Report

To the Board of Directors
Southeastern Massachusetts Educational Collaborative
Dartmouth, 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, each major fund, and the aggregate remaining fund information of the Southeastern Massachusetts Educational Collaborative (the Collaborative), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Pomeroy & Sullivan, LLC".

November 30, 2021