



**Powers &  
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CPAs AND ADVISORS

***SOUTHEASTERN MASSACHUSETTS  
EDUCATIONAL COLLABORATIVE***

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

***YEAR ENDED JUNE 30, 2022***

SOUTHEASTERN MASSACHUSETTS EDUCATIONAL COLLABORATIVE

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

**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 .....	43
General Fund – budgetary comparison schedule .....	44
General fund – schedule of revenues, expenditures and changes in fund balance – budget and actual .....	45
Collaborative pension plan schedules .....	46
Schedule of the special funding amounts of the net pension liability of the Massachusetts State Employees Retirement System .....	47
Schedule of the special funding amounts of the net pension liability of the Massachusetts Teacher's Retirement System .....	48
Schedule of contributions .....	49
Other postemployment benefits plan schedules .....	50
Schedule of changes in the net OPEB liability and related ratios .....	51
Schedule of contributions .....	52
Schedule of investment returns .....	53
Notes to required supplementary information .....	54
Other Information .....	57
Required disclosures for Massachusetts educational collaboratives .....	58
Report on Internal Control Over Financial Reporting and on Compliance .....	61

## **Independent Auditor's Report**

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

## **Report on the Audit of the Financial Statements**

### **Opinions**

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, 2022, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

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, 2022, 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.

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial Statements section of our report. We are required to be independent of the Collaborative and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Change in Accounting Principle**

As discussed in Note 5 to the financial statements, during the year 2022, the Collaborative adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Collaborative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Collaborative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Collaborative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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**

Management is responsible for the other information included in this report. The other information comprises the required disclosures by the Massachusetts Department of Elementary and Secondary Education for Massachusetts Educational Collaboratives but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Collaborative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative's internal control over financial reporting and compliance.



November 29, 2022

# ***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 \$4.8 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 Collaborative's Supporting Adults for Inclusion Living (SAIL) program through various service contracts totaling \$3.5 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 \$1.5 million for tuition and transportation costs and the DESE reimbursed the Collaborative \$80,000 for food costs during the year.
- The total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (net position) for the year by \$279,000.
- In 2022, the Collaborative implemented Governmental Accounting Standards Board (GASB) Statement #87, *Leases*. Due to this, the Collaborative recognized \$2.0 million in lease financing and \$458,000 in debt service payments related to leases. At year end, the Collaborative reported a lease payable totaling \$1.5 million. A corresponding capital asset was also recorded.

### ***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, unallocated depreciation, and interest.

**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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$279,000 at the close of 2022.

Net position of \$378,000 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 \$100,000 deficit mainly relating to the effect of recording other postemployment benefit liabilities through June 30, 2022.



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

	2022	2021
<b>Assets:</b>		
Current assets.....	\$ 2,699,681	\$ 2,252,842
Capital assets, non depreciable.....	90,000	90,000
Capital assets, net of accumulated depreciation....	1,836,565	489,532
<b>Total assets.....</b>	<b>4,626,246</b>	<b>2,832,374</b>
<b>Deferred outflows of resources.....</b>	<b>894,744</b>	<b>532,161</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	147,420	451,116
Noncurrent liabilities (excluding debt).....	2,641,084	2,851,280
Current debt.....	415,271	-
Noncurrent debt.....	1,133,019	-
<b>Total liabilities.....</b>	<b>4,336,794</b>	<b>3,302,396</b>
<b>Deferred inflows of resources.....</b>	<b>905,485</b>	<b>157,338</b>
<b>Net position:</b>		
Net investment in capital assets.....	378,275	579,532
Unrestricted.....	(99,564)	(674,731)
<b>Total net position.....</b>	<b>\$ 278,711</b>	<b>\$ (95,199)</b>
	2022	2021
<b>Program Revenues:</b>		
Charges for services.....	\$ 5,196,582	\$ 3,844,100
Operating grants and contributions.....	1,023,435	3,000,362
<b>General Revenues:</b>		
Tuition.....	4,754,090	4,604,276
Unrestricted investment income.....	410	574
Miscellaneous.....	73,424	26,097
<b>Total revenues.....</b>	<b>11,047,941</b>	<b>11,475,409</b>
<b>Expenses:</b>		
Administration.....	1,116,946	829,530
Instruction.....	3,149,561	3,074,755
Other school services.....	175,968	123,799
Operations and maintenance.....	166,190	146,559
Fixed charges.....	664,292	673,272
Intergovernmental on-behalf payments.....	835,940	2,866,814
Health services.....	223,134	183,736
Other postemployment benefits.....	175,368	164,345
Summer programs.....	138,703	111,047
ADH.....	1,003,271	1,083,630
SAIL.....	2,321,803	2,654,198
Unallocated depreciation.....	646,767	96,694
Interest.....	56,088	-
<b>Total expenses.....</b>	<b>10,674,031</b>	<b>12,008,379</b>
<b>Change in net position.....</b>	<b>373,910</b>	<b>(532,970)</b>
<b>Net position, beginning of year.....</b>	<b>(95,199)</b>	<b>437,771</b>
<b>Net position, end of year.....</b>	<b>\$ 278,711</b>	<b>\$ (95,199)</b>

The Collaborative's net position increased \$374,000 in 2022 as compared to a decrease of \$533,000 in 2021. Exclusive of the on-behalf revenues and expenditures, revenues, primarily charges for services, increased by \$1.6 million, while related expenses only increased by \$697,000.

The Collaborative's operating grants and contributions and expenses both decreased by \$2.0 million. This is the result of a decrease in on-behalf revenues and expenditures received by and paid for, respectively, by the Massachusetts Teacher's Retirement System and the Massachusetts State Employee Retirement System. The decrease to the on-behalf payments are the result of favorable market conditions that the retirement systems reported year end.

Total assets and unallocated depreciation increased in the current year as a result of the recognition of leased capital asset additions recorded in the current year due to the implementation of GASB Statement #87.

### ***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 \$2.6 million. The general fund balance increased by \$750,000 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 \$2.3 million and the nonspendable fund balance was \$233,000.

### ***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 2022 approved budget for the general fund authorized \$10.1 million in appropriations. During the year, the original budget increased by \$172,000 once more information was made available regarding estimated revenues.

Actual revenues were less than budget by \$163,000 and actual expenditures were less than the budget by \$805,000, mainly for other school services and the SAIL program.

### ***Capital Asset and Debt Administration***

The Collaborative's capital assets, net of accumulated depreciation, totaled \$1.9 million as of June 30, 2022. There was a large increase in capital assets in the current year as a result of recognizing the payments related to the lease of building space as a capital addition. Depreciation expense in the amount of \$647,000 was recorded.

The Collaborative did not have any short term or long term debt outstanding as of June 30, 2022.

Please refer to the Notes 4 and 5 of the basic financial statements for further discussion of the capital asset and debt activity.

## ***Collaborative Highlights***

While still under the Federal State of Emergency, the Collaborative provided full time in-person scheduling in all programs for the entire fiscal year. Our SAIL program and adult transportation services operated at a significantly reduced capacity due to the effect of staffing shortages on required staff ratios for most of the year. The Executive Office of Health and Human Services (EOHHS) provided “enhanced” rates to some services in order to offset the negative impact of the pandemic and resulting underutilization to human service providers for the balance of 2022.

The Old Rochester Regional (ORR) School District’s representative school committee member to the Collaborative’s Board of Directors did not run for re-election and therefore resigned her post after the Board’s last scheduled meeting at the end of the 2021-2022 school year. As of September 30, 2022, that post is still vacant and expected to be filled by the ORR School Committee in October 2022.

For 2022, the Massachusetts Education and Government Association is conducting an audit of the Collaborative’s payroll records for the previous fiscal year. The Collaborative has submitted all requested documentation and is awaiting the results.

For 2022, the Department of Developmental Services Division of Investigations conducted its annual audit of Collaborative’s policies and procedures around the administration of Criminal Offender Record Information (CORI) screenings for employees. The audit found the Collaborative in compliance with all relevant regulations.

The Department of Developmental Services conducted a Program Compliance Audit of our SAIL program in May of 2022 and as a result, renewed the Collaborative’s licenses to operate day and residential programming for the next two-year cycle.

The Department of Elementary and Secondary Education conducted a Coordinated Program Review of all of the Collaborative’s school programs and services in May of 2022 and subsequently issued a report showing full compliance with all requirements and regulations.

Attempts to negotiate the purchase of the church and associated buildings located adjacent to our New Bedford property from the Diocese of Fall River ultimately failed due to a second bidder having priority status. The Collaborative published a request for proposals during 2022 for the lease or purchase of additional facility space but received no valid proposals.

The Collaborative applied for a 2021 provider access improvement grant from Massachusetts Health in the amount of \$25,870, to purchase equipment to facilitate increased access for people with disabilities to our Adult Day Health program. We were ultimately approved for \$19,506 in funding to be spent in 2022.

## ***Economic Factors and Next Year’s Budget***

The original fiscal year 2023 preliminary spending plan was approved at the June 14, 2022 Board meeting after a second reading. Because of Covid-19, the partial funding of many state contracts, elimination of the pandemic EOHHS enhanced rates, reduced utilization in our SAIL program, ongoing staffing shortage and evolving state guidance, the 2023 budget proposal was based on our best estimates, historical trends and Department of Developmental Services contract requirements rather than proven revenue numbers, so as of September 30, 2022, our 2023 budget is still in flux.

Despite receiving approval from two of our member districts to lease additional classroom space for the 2022-2023 school year, planned local education agency (LEA) program development and expansion in 2022/2023 is

currently on hold due to the inability to expand staffing due to the workforce crisis and continued fiscal uncertainty. Plans to resume program growth and development planning during the spring of 2023 for 2024 implementation are in effect. One area of growth that has occurred during the fall of 2023 is the fulfillment of increased LEA requests for contracted staffing services.

The Collaborative will be investigating the possibility of applying for 501(c)3 designation during 2023.

As of September 2022, the Collaborative's ADH program enrollment and daily attendance has increased beyond pre-pandemic numbers and continues to increase to approach our current licensed capacity of 84. The Collaborative's LEA (school) programs also showed an increase in enrollment numbers over September 2021 numbers.

### ***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***

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# STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 138,120
Receivables, net of allowance for uncollectibles:	
Member tuition.....	1,298,348
Non member tuition.....	52,477
Intergovernmental.....	962,084
Other.....	15,349
Prepaid insurance.....	233,303
Total current assets.....	<u>2,699,681</u>
NONCURRENT:	
Capital assets, nondepreciable.....	90,000
Capital assets, net of accumulated depreciation.....	<u>1,836,565</u>
Total noncurrent assets.....	<u>1,926,565</u>
TOTAL ASSETS.....	<u>4,626,246</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to other postemployment benefits.....	<u>894,744</u>
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	35,645
Accrued payroll and related withholdings.....	83,634
Lease payable.....	415,271
Compensated absences.....	28,141
Total current liabilities.....	<u>562,691</u>
NONCURRENT:	
Lease payable.....	1,133,019
Net other postemployment benefits liability.....	<u>2,641,084</u>
Total noncurrent liabilities.....	<u>3,774,103</u>
TOTAL LIABILITIES.....	<u>4,336,794</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to other postemployment benefits.....	<u>905,485</u>
<b>NET POSITION</b>	
Net investment in capital assets.....	378,275
Unrestricted.....	<u>(99,564)</u>
TOTAL NET POSITION.....	<u>\$ 278,711</u>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Administration.....	\$ 1,116,946	\$ 711,941	\$ 17,943	\$ -	\$ (387,062)
Instruction.....	3,149,561	-	48,343	-	(3,101,218)
Other school services.....	175,968	-	-	-	(175,968)
Operations and maintenance.....	166,190	-	-	-	(166,190)
Fixed charges.....	664,292	-	-	-	(664,292)
Intergovernmental on-behalf payments.....	835,940	-	835,940	-	-
Health services.....	223,134	-	-	-	(223,134)
Other postemployment benefits.....	175,368	-	-	-	(175,368)
Summer programs.....	138,703	-	-	-	(138,703)
ADH.....	1,003,271	1,571,308	28,732	-	596,769
SAIL.....	2,321,803	2,913,333	92,477	-	684,007
Interest.....	56,088	-	-	-	(56,088)
Unallocated depreciation.....	646,767	-	-	-	(646,767)
Total Governmental Activities.....	\$ 10,674,031	\$ 5,196,582	\$ 1,023,435	\$ -	\$ (4,454,014)

(Continued)

See notes to basic financial statements.



# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>Changes in net position:</b>	
Net (expense) revenue from previous page.....	\$ <b>(4,454,014)</b>
<i>General revenues:</i>	
Tuition.....	4,754,090
Unrestricted investment income.....	410
Miscellaneous revenue.....	<u>73,424</u>
Total general revenues.....	<u>4,827,924</u>
Change in net position.....	373,910
<i>Net position:</i>	
Beginning of year.....	<u>(95,199)</u>
End of year.....	\$ <u><u>278,711</u></u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

JUNE 30, 2022

	General	Capital Reserve Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 103,868	\$ 34,252	\$ 138,120
Receivables, net of uncollectibles:			
Member tuition.....	1,298,348	-	1,298,348
Non member tuition.....	52,477	-	52,477
Intergovernmental.....	962,084	-	962,084
Other.....	15,349	-	15,349
Prepaid Insurance.....	233,303	-	233,303
<b>TOTAL ASSETS.....</b>	<b>\$ 2,665,429</b>	<b>\$ 34,252</b>	<b>\$ 2,699,681</b>
<b>LIABILITIES</b>			
Warrants payable.....	\$ 35,645	\$ -	\$ 35,645
Accrued payroll and related withholdings.....	83,634	-	83,634
<b>TOTAL LIABILITIES.....</b>	<b>119,279</b>	<b>-</b>	<b>119,279</b>
<b>FUND BALANCES</b>			
Nonspendable.....	233,303	-	233,303
Committed.....	-	34,252	34,252
Unassigned.....	2,312,847	-	2,312,847
<b>TOTAL FUND BALANCES.....</b>	<b>2,546,150</b>	<b>34,252</b>	<b>2,580,402</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 2,665,429</b>	<b>\$ 34,252</b>	<b>\$ 2,699,681</b>

See notes to basic financial statements.

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

JUNE 30, 2022

Total governmental fund balances.....	\$ 2,580,402
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	1,926,565
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.....	(10,741)
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.....	(2,641,084)
Capital lease obligations.....	(1,548,290)
Compensated absences.....	(28,141)
Net effect of reporting long-term liabilities.....	(4,217,515)
Net position of governmental activities.....	\$ <u>278,711</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	General	Capital Reserve Fund	Total Governmental Funds
<b>REVENUES:</b>			
Member tuition.....	\$ 4,358,488	\$ -	\$ 4,358,488
Non-member tuition.....	395,602	-	395,602
Department of Developmental Services.....	3,322,683	-	3,322,683
Massachusetts Commission for the Blind.....	165,992	-	165,992
Department of Elementary and Secondary Education.....	81,546	-	81,546
MassHealth.....	1,489,762	-	1,489,762
Intergovernmental.....	187,495	-	187,495
Intergovernmental for on-behalf payments.....	835,940	-	835,940
Professional development.....	136,599	-	136,599
Miscellaneous.....	73,424	-	73,424
Investment income.....	410	-	410
<b>TOTAL REVENUES.....</b>	<b>11,047,941</b>	<b>-</b>	<b>11,047,941</b>
<b>EXPENDITURES:</b>			
Current:			
Administration.....	1,464,208	-	1,464,208
Instruction.....	3,354,588	-	3,354,588
Other school services.....	175,968	-	175,968
Operations and maintenance.....	166,190	-	166,190
Fixed charges.....	664,292	-	664,292
Intergovernmental on-behalf payments.....	835,940	-	835,940
Health services.....	223,134	-	223,134
Summer programs.....	141,676	-	141,676
SAIL.....	2,846,724	-	2,846,724
ADH.....	1,917,365	-	1,917,365
Debt service:			
Principal payments on leases.....	402,210	-	402,210
Interest payments on leases.....	56,088	-	56,088
<b>TOTAL EXPENDITURES.....</b>	<b>12,248,383</b>	<b>-</b>	<b>12,248,383</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,200,442)</b>	<b>-</b>	<b>(1,200,442)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Lease financing.....	1,950,500	-	1,950,500
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>750,058</b>	<b>-</b>	<b>750,058</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,796,092</b>	<b>34,252</b>	<b>1,830,344</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,546,150</b>	<b>\$ 34,252</b>	<b>\$ 2,580,402</b>

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, 2022

Net change in fund balances - total governmental funds.....	\$	750,058
<p>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.</p>		
Capital outlay.....	1,993,800	
Depreciation expense.....	<u>(646,767)</u>	
Net effect of reporting capital assets.....		1,347,033
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	402,210	
Capital lease financing.....	<u>(1,950,500)</u>	
Net effect of reporting long-term debt.....		(1,548,290)
<p>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.</p>		
Net change in compensated absences accrual.....	477	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..	(385,564)	
Net change in net other postemployment benefits liability.....	<u>210,196</u>	
Net effect of recording long-term liabilities.....		<u>(174,891)</u>
Change in net position of governmental activities.....	\$	<u><u>373,910</u></u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Other Postemployment Benefit Trust Fund
<b>ASSETS</b>	
Cash and cash equivalents.....	\$ 6,211
Investments:	
Equity mutual funds.....	338,199
Fixed income mutual funds.....	112,192
<b>TOTAL ASSETS.....</b>	<b>456,602</b>
<b>NET POSITION</b>	
Restricted for other postemployment benefits.....	\$ 456,602

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions for other postemployment benefit payments.... \$	122,767
Net investment income:	
Investment income (loss).....	(37,866)
Less: investment expense.....	(922)
Net investment income (loss).....	(38,788)
TOTAL ADDITIONS.....	83,979
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	122,767
NET INCREASE (DECREASE) IN NET POSITION.....	(38,788)
NET POSITION AT BEGINNING OF YEAR.....	495,390
NET POSITION AT END OF YEAR..... \$	456,602

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 and right to use buildings.....	5-40
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. 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.

P. 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.

Q. Total Column*Government-Wide Financial Statements*

The total column, whenever 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 \$138,120 and the bank balance totaled \$672,366. Of the bank balance, \$406,107 was covered by Federal Depository Insurance and \$266,259 was collateralized.

**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, 2022, the Collaborative had \$338,199 invested in equity mutual funds, \$112,192 invested in fixed income mutual funds, and \$6,211 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, 2022, no more than 5% of the Collaborative's investments were invested in any one corporate issuer.

**NOTE 3 – RECEIVABLES**

At June 30, 2022, receivables for the major governmental funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Member tuition.....	\$ 1,298,348	\$ -	\$ 1,298,348
Non member tuition.....	52,477	-	52,477
Intergovernmental.....	962,084	-	962,084
Other.....	15,349	-	15,349
Total.....	<u>\$ 2,328,258</u>	<u>\$ -</u>	<u>\$ 2,328,258</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 90,000	\$ -	\$ -	\$ 90,000
<u>Capital assets being depreciated:</u>				
Building and right to use building.....	204,838	1,950,500	-	2,155,338
Building improvements.....	218,183	-	-	218,183
Vehicles.....	693,815	43,300	-	737,115
Equipment.....	101,635	-	-	101,635
Total capital assets being depreciated.....	<u>1,218,471</u>	<u>1,993,800</u>	<u>-</u>	<u>3,212,271</u>
<u>Less accumulated depreciation for:</u>				
Building and right to use building.....	(116,930)	(561,620)	-	(678,550)
Building improvements.....	(24,678)	(8,081)	-	(32,759)
Vehicles.....	(513,686)	(64,224)	-	(577,910)
Equipment.....	(73,645)	(12,842)	-	(86,487)
Total accumulated depreciation.....	<u>(728,939)</u>	<u>(646,767)</u>	<u>-</u>	<u>(1,375,706)</u>
Total capital assets being depreciated, net.....	<u>489,532</u>	<u>1,347,033</u>	<u>-</u>	<u>1,836,565</u>
Total governmental activities capital assets, net.....	<u>\$ 579,532</u>	<u>\$ 1,347,033</u>	<u>\$ -</u>	<u>\$ 1,926,565</u>

Unallocated depreciation expense totaled \$646,767 for the year ended June 30, 2022.

**NOTE 5 – LEASES**Change in Accounting Principle

During the year 2022, the Collaborative adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as a right to use another entity's asset over a definitive period of time and required the Collaborative to record the leases that were previously classified as operating leases where only footnote disclosure was required. No restatement of beginning net position was required.

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 in October 2026. The cost of this lease for 2022, totaled \$458,298, and is reported as debt service on leases in the general fund. A corresponding right to use lease building in the amount of the present value of the future lease payments has been added to capital assets due to the implementation of GASB Statement #87. The cost of the assets acquired through the lease totaled \$1,950,500, and the accumulated depreciation on those assets totaled \$556,500. The future operating lease payments under this agreement are as follows:

<u>Years ending June 30th:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023.....	\$ 415,271	\$ 42,383	\$ 457,654
2024.....	428,757	28,862	457,619
2025.....	442,680	14,901	457,581
2026.....	247,519	2,438	249,957
2027.....	14,063	56	14,119
Present value of future minimum lease payments...	\$ <u>1,548,290</u>	\$ <u>88,640</u>	\$ <u>1,636,930</u>

**NOTE 6 – LOANS PAYABLE**Short-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, 2022, 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, 2022, the Collaborative had not drawn down any amounts on this line of credit.

### Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Lease payable.....	\$ -	\$ 1,950,500	\$ (402,210)	\$ 1,548,290	\$ 415,271
Compensated absences.....	28,618	28,141	(28,618)	28,141	28,141
Net other postemployment benefits.....	2,851,280	298,135	(508,331)	2,641,084	-
Total governmental activity long-term liabilities.....	\$ 2,879,898	\$ 2,276,776	\$ (939,159)	\$ 4,217,515	\$ 443,412

## **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, 2022, the governmental fund balances consisted of the following:

	General	Capital Reserve Fund	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Prepaid insurance.....	\$ 233,303	\$ -	\$ 233,303
Committed to:			
Capital reserve.....	-	34,252	34,252
Unassigned.....	2,312,847	-	2,312,847
Total Fund Balances.....	\$ 2,546,150	\$ 34,252	\$ 2,580,402

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 <https://mtrs.state.ma.us/service/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, 2021. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$416,619 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 \$5,191,784 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 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. 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, 2021, which was \$239,849 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, 2021. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$419,321 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 \$6,662,132 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 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. The Plan does not issue a publicly available financial report.

### *Funding Policy*

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 2022, the Collaborative contributed approximately \$122,767 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 2022, 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, 2022, the balance of this fund totaled \$456,602.

### *Plan Membership*

The following table represent the Plan's membership at July 1, 2021:

Active members.....	134
Inactive members currently receiving benefits.....	<u>5</u>
Total.....	<u><u>139</u></u>

*Components of OPEB liability*

The following table represent the components of the Plan's OPEB liability as of June 30, 2022:

Total OPEB liability.....	\$	3,097,686
Less: OPEB plan's fiduciary net position.....		<u>(456,602)</u>
Net OPEB liability.....	\$	<u>2,641,084</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		14.74%

*Significant Actuarial Methods and Assumptions*

The total OPEB liability in the July 1, 2021, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2022:

Valuation date.....	Actuarially Determined Contribution was calculated as of July 1, 2021.
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Market Value of Assets as of the measurement date.
Investment rate of return.....	6.23%, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.91%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2022 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2022, and for future periods.
Municipal bond rate.....	4.09% as of June 30, 2022 (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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -7.83%. 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 3.98% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.48%. 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, 2022, are summarized in the following table:

<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%	4.42%
Domestic equity- small/mid cap.....	5.75%	4.81%
International equity-developed markets..	5.50%	4.91%
International equity-emerging markets...	2.75%	5.58%
Domestic fixed income.....	19.50%	1.00%
International fixed income.....	2.00%	1.04%
Alternatives.....	11.25%	5.98%
Real estate.....	5.00%	6.25%
Cash and cash equivalents.....	1.25%	0.00%
Total.....	100.00%	

*Discount Rate*

The discount rate used to measure the total OPEB liability was 4.91% as of June 30, 2022, and 4.75% as of June 30, 2021. 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 4.09% as of June 30, 2022. 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, 2021.....	\$ 3,346,670	\$ 495,390	\$ 2,851,280
Changes for the year:			
Service cost.....	143,160	-	143,160
Interest.....	162,885	-	162,885
Changes in Assumptions.....	530,484	-	530,484
Differences between expected and actual experience.....	(962,746)	-	(962,746)
Investment income.....	-	(38,788)	38,788
Contributions to trust.....	-	122,767	(122,767)
Benefit payments.....	(122,767)	(122,767)	-
Net change.....	(248,984)	(38,788)	(210,196)
Balance at June 30, 2022.....	\$ <u>3,097,686</u>	\$ <u>456,602</u>	\$ <u>2,641,084</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 4.91%, 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 (3.91%) or 1-percentage-point higher (5.91%) than the current rate.

	1% Decrease (3.91%)	Current Discount Rate (4.91%)	1% Increase (5.91%)
Net OPEB liability.....	\$ <u>2,962,404</u>	\$ <u>2,641,084</u>	\$ <u>2,363,406</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 9.00% in 2022 decreasing to an ultimate trend rate of 3.63%, 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	Current Trend	1% Increase
Net OPEB liability.....	\$ <u>2,287,849</u>	\$ <u>2,641,084</u>	\$ <u>3,064,158</u>

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

For the year ended June 30, 2022, the Collaborative recognized OPEB expense of \$298,135. At June 30, 2022, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB of \$894,744 and \$905,485, respectively, from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 106,175	\$ (905,485)	\$ (799,310)
Difference between projected and actual earnings, net.....	14,665	-	14,665
Changes in assumptions.....	773,904	-	773,904
Total deferred outflows/(inflows) of resources.....	\$ 894,744	\$ (905,485)	\$ (10,741)

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

Year ended June 30:

2023.....	\$ 25,504
2024.....	26,325
2025.....	23,277
2026.....	4,015
2027.....	(28,112)
Thereafter.....	(61,750)
Total.....	\$ (10,741)

*Changes of Assumption*

The discount rate increased from 4.75% to 4.91%. Also, the methodology for calculating expected claims was updated and the Getzen model for future projected healthcare costs was adopted.

*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, 2022 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2022.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 29, 2022, which is the date the financial statements were available to be issued.

**NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2022, the following GASB pronouncements were implemented:

- GASB Statement #87, *Leases*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.
- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.
- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.
- GASB 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*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- 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 #99, *Omnibus 2022*, which is required to be implemented in 2023.
- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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.

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Member tuition.....	\$ 4,701,000	\$ 4,811,504	\$ 4,358,488	\$ -	\$ (453,016)
Non-member tuition.....	290,000	69,060	395,602	-	326,542
Department of Developmental Services.....	3,105,000	3,303,532	3,322,683	-	19,151
Massachusetts Commission for the Blind.....	144,000	150,000	165,992	-	15,992
Department of Elementary and Secondary Education.....	60,000	70,558	81,546	-	10,988
MassHealth.....	1,284,000	1,626,561	1,489,762	-	(136,799)
Intergovernmental.....	100,000	233,508	187,495	-	(46,013)
Professional development.....	100,000	106,977	136,599	-	29,622
Miscellaneous.....	-	3,000	73,424	-	70,424
Investment income.....	-	-	410	-	410
TOTAL REVENUES.....	9,784,000	10,374,700	10,212,001	-	(162,699)
EXPENDITURES:					
Current:					
Administration.....	841,330	846,730	979,675	-	(132,945)
Instruction.....	3,285,500	3,552,500	3,354,588	-	197,912
Other school services.....	751,796	808,800	175,968	-	632,832
Operations and maintenance.....	248,500	254,000	166,190	-	87,810
Fixed charges.....	897,930	675,555	703,953	-	(28,398)
Health services.....	10,000	7,000	223,134	-	(216,134)
Summer programs.....	132,836	138,528	141,676	-	(3,148)
SAIL.....	2,820,994	2,768,320	2,490,724	-	277,596
ADH.....	1,106,255	1,215,660	1,226,035	-	(10,375)
TOTAL EXPENDITURES.....	10,095,141	10,267,093	9,461,943	-	805,150
NET CHANGE IN FUND BALANCE.....	(311,141)	107,607	750,058	-	642,451
FUND BALANCES AT BEGINNING OF YEAR.....	1,796,092	1,796,092	1,796,092	-	-
FUND BALANCES AT END OF YEAR.....	\$ 1,484,951	\$ 1,903,699	\$ 2,546,150	\$ -	\$ 642,451

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**

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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
2022.....	\$ 239,849	\$ 3,931,951	6.10%
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**

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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>
2022.....	\$ 6,662,132	\$ 419,321	77.54%
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.

<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>
2022.....	\$ 5,191,784	\$ 416,619	62.03%
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	June 30, 2022
<b>Total OPEB Liability</b>						
Service Cost.....	\$ 143,374	\$ 121,095	\$ 135,798	\$ 115,908	\$ 121,415	\$ 143,160
Interest.....	96,650	106,134	129,668	130,106	165,283	162,885
Differences between expected and actual experience...	247,743	-	-	(140,481)	-	(962,746)
Changes of assumptions.....	-	-	-	264,242	235,492	530,484
Benefit payments.....	(47,992)	(79,618)	(94,416)	(101,900)	(116,920)	(122,767)
Net change in total OPEB liability.....	439,775	147,611	171,050	267,875	405,270	(248,984)
Total OPEB liability - beginning.....	1,915,089	2,354,864	2,502,475	2,673,525	2,941,400	3,346,670
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>	<u>\$ 3,097,686</u>
<b>Plan fiduciary net position</b>						
Employer contributions.....	\$ 50,000	\$ 25,000	\$ 125,000	\$ -	\$ -	\$ -
Employer contributions for OPEB payments.....	47,992	79,618	94,416	101,900	116,920	122,767
Net investment income.....	7,836	12,150	18,840	10,523	106,839	(38,788)
Benefit payments.....	(47,992)	(79,618)	(94,416)	(101,900)	(116,920)	(122,767)
Net change in plan fiduciary net position.....	57,836	37,150	143,840	10,523	106,839	(38,788)
Plan fiduciary net position - beginning of year.....	139,202	197,038	234,188	378,028	388,551	495,390
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>	<u>\$ 456,602</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u><b>\$ 2,157,826</b></u>	<u><b>\$ 2,268,287</b></u>	<u><b>\$ 2,295,497</b></u>	<u><b>\$ 2,552,849</b></u>	<u><b>\$ 2,851,280</b></u>	<u><b>\$ 2,641,084</b></u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	8.37%	9.36%	14.14%	13.21%	14.80%	14.74%
Covered-employee payroll.....	\$ 6,502,663	\$ 6,697,743	\$ 6,898,675	\$ 6,038,644	\$ 6,219,803	\$ 6,353,085
Net OPEB liability as a percentage of covered-employee payroll.....	33.18%	33.87%	33.27%	42.28%	45.84%	41.57%

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, 2022.....	\$ 256,632	\$ (122,767)	\$ 133,865	\$ 6,353,085	1.93%
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**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2022.....	-7.83%
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 2022 approved budget for the general fund authorized approximately \$10.1 million in appropriations. During 2022, the original budget increased by approximately \$172,000.

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, 2022, is presented below:

Net change in fund balance - budgetary basis.....	\$	750,058
<u>Basis of accounting differences:</u>		
Recognition of lease financing - GASB Statement #87.....		1,950,500
Recognition of lease payment - GASB Statement #87.....		(1,950,500)
Recognition of revenue for on-behalf payments.....		835,940
Recognition of expenditures for on-behalf payments.....		(835,940)
		<u>          </u>
Net change in fund balance - GAAP basis.....	\$	<u>750,058</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.....	Actuarially Determined Contribution was calculated as of July 1, 2021.
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Market Value of Assets as of the measurement date.
Investment rate of return.....	6.23%, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.91%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2022 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2022, and for future periods.
Municipal bond rate.....	4.09% as of June 30, 2022 (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 increased from 4.75% to 4.91%. Also, the methodology for calculating expected claims was updated and the Getzen model for future projected healthcare costs was adopted.

### 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 cost of this lease for 2022, totaled \$458,298, and is reported as debt service on leases in the general fund. A corresponding right to use lease building in the amount of the present value of the future lease payments has been added to capital assets due to the implementation of GASB Statement #87.

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

<u>Years ending June 30th:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023.....	\$ 415,271	\$ 42,383	\$ 457,654
2024.....	428,757	28,862	457,619
2025.....	442,680	14,901	457,581
2026.....	247,519	2,438	249,957
2027.....	14,063	56	14,119
Present value of future minimum lease payments...	\$ <u>1,548,290</u>	\$ <u>88,640</u>	\$ <u>1,636,930</u>

The Collaborative also rented individual classrooms and other space from member communities in the amount of \$55,000 during the year 2022.

**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, 2021, as reported on IRS form W-2, Wage and Tax Statement:

Name	Employee Position	Total Compensation
Catherine Cooper.....	Executive Director.....	\$ 166,353
Christopher Haraden.....	Director of Finance and Operations.....	109,746
Michelle Goettlich.....	Student Services Director.....	100,394
Kimberly Wilmot.....	Director of Therapeutic Services.....	94,436
Kristin Rego.....	Behavior Analyst/Assistant TLC Program Coordinator.....	92,872

**NOTE 4 – AMOUNTS EXPENDED ON ADMINISTRATION AND OVERHEAD**

For the year ended June 30, 2022, the Collaborative expended \$519,035 and \$446,613 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, 2022, 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, 2022, the Collaborative spent \$2,298,573 and \$993,760, exclusive of lease activity recorded under GASB Statement No. 87, *Leases*, 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 \$2,371,150 as the amount designated as Cumulative Surplus from general funds remaining in the Collaborative's accounts as of June 30, 2022. 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:

### Southeastern Massachusetts Educational Collaborative

Fiscal Year 2022		Enter values below	Page in FY22 FS
(A)	Surplus as of June 30, 2021	\$ 1,796,092	(A) p.18
	<i>(Breakdown of use of 2021 surplus)</i>		
	B(1) used to support the FY22 budget	\$ -	
	B(2) issued as credits to member districts	\$ -	
	B(3) issued as a check(s) to member district(s)	\$ -	
	B(4) deposited to a restricted account(s)	\$ -	
(B)	Board voted uses of surplus funds during FY22	(total from B1:B4) \$ -	(B) p. N/a
(C)	Unexpended FY22 General Funds	\$ 750,058	(C) p.18
(D)	Cumulative Surplus as of June 30, 2022	(A) - (B) + (C) = (D) \$ 2,546,150	(D) p.18
(E)	FY22 Total General Fund Expenditures *	\$ 11,412,443	(E) p.18
(F)	Cumulative Surplus Percentage	(D) ÷ (E) 22.31%	(F) p. N/a

#### CUMULATIVE SURPLUS REDUCTION

Allowable uses of surplus - in excess of the 25% limit

(G)	Cumulative surplus as of June 30, 2022	\$ 2,546,150
	25% limit (allowed)	\$ 2,853,111
(H)	Cumulative Surplus <b>REDUCTIONS</b>	
	(H)1 Credited to member districts for tuition, services, etc.	\$ -
	(H)2 Deposited to an established trust and/or reserve fund	\$ 175,000
	(H)3 Returned (check) to school districts/towns	\$ -
	Total Reductions	\$ 175,000
	FY22 Cumulative Surplus Percentage after Reductions	20.78%

\* Net of intergovernmental on-behalf payments.

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

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**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, 2022, 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 29, 2022.

**Report on 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 or significant deficiencies may exist that have not been identified.

## **Report on 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 Collaborative'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 Collaborative'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 29, 2022