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CPAs AND ADVISORS

***SOUTHEASTERN MASSACHUSETTS
EDUCATIONAL COLLABORATIVE***

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

YEAR ENDED JUNE 30, 2023

SOUTHEASTERN MASSACHUSETTS EDUCATIONAL COLLABORATIVE

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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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, 2023, 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, 2023, 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.

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 28, 2023, 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 28, 2023

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 \$5.4 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 \$2.7 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 \$1.9 million for tuition and transportation costs and the DESE reimbursed the Collaborative \$32,000 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 \$13,000.
- The Collaborative has entered into various lease agreements for the use of building space. In accordance with GASB Statement #87, *Leases*, the Collaborative reported a right to use lease liability totaling \$1.1 million, which represents the present value of the future lease payments.
- The Collaborative reported a net other postemployment benefit liability totaling \$2.7 million, as well as related deferred outflows of resources and inflows of resources totaling \$718,000 and \$755,000, respectively.

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 \$13,000 at the close of 2023.

Net position of \$422,000 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 \$409,000 deficit mainly relating to the effect of recording other postemployment benefit liabilities through June 30, 2023.

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

	2023	2022
Assets:		
Current assets.....	\$ 2,673,297	\$ 2,699,681
Capital assets, non depreciable.....	90,000	90,000
Capital assets, net of accumulated depreciation....	1,465,344	1,836,565
Total assets.....	4,228,641	4,626,246
Deferred outflows of resources.....	718,045	894,744
Liabilities:		
Current liabilities (excluding debt).....	298,612	147,420
Noncurrent liabilities (excluding debt).....	2,746,634	2,641,084
Current debt.....	428,757	415,271
Noncurrent debt.....	704,262	1,133,019
Total liabilities.....	4,178,265	4,336,794
Deferred inflows of resources.....	755,492	905,485
Net position:		
Net investment in capital assets.....	422,325	378,275
Unrestricted.....	(409,396)	(99,564)
Total net position.....	\$ 12,929	\$ 278,711
	2023	2022
Program Revenues:		
Charges for services.....	\$ 4,636,394	\$ 5,196,582
Operating grants and contributions.....	1,502,820	1,023,435
General Revenues:		
Tuition.....	5,418,725	4,754,090
Unrestricted investment income.....	3,098	410
Miscellaneous.....	35,107	73,424
Total revenues.....	11,596,144	11,047,941
Expenses:		
Administration.....	978,354	1,116,946
Instruction.....	4,123,821	3,149,561
Other school services.....	199,339	175,968
Operations and maintenance.....	187,158	166,190
Fixed charges.....	863,005	664,292
Intergovernmental on-behalf payments.....	1,268,542	835,940
Health services.....	284,830	223,134
Other postemployment benefits.....	207,256	175,368
Summer programs.....	172,319	138,703
ADH.....	1,152,086	1,003,271
SAIL.....	1,955,612	2,321,803
Unallocated depreciation.....	427,221	646,767
Interest.....	42,383	56,088
Total expenses.....	11,861,926	10,674,031
Change in net position.....	(265,782)	373,910
Net position, beginning of year.....	278,711	(95,199)
Net position, end of year.....	\$ 12,929	\$ 278,711

The Collaborative's net position decreased \$266,000 in 2023. This decrease was mainly related to a \$132,000 change in the Collaborative's net other postemployment benefit liability, net of related deferred outflows/(inflows) of resources, as well as a \$169,000 net budgetary deficit.

Total revenues increased \$548,000 over the previous year, which mainly related to an increase in tuition revenue and operating grants and contributions, offset by a decrease in charges for services. The increase in operating grants and contributions mainly relates to an increase in on-behalf payments received by the Massachusetts' Teachers Retirement System as well as the Massachusetts' State Employee Retirement System. The decreases in charges for services mainly relates to the Collaborative's SAIL program.

These changes in revenues are in line with the corresponding changes in expenses. Overall, expenses increased \$1.2 million. This increase mainly related to an increase in instructional costs and intergovernmental on-behalf payments. These increases were offset by a decrease in costs related to the Collaborative's SAIL program.

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 \$2.4 million. The general fund balance decreased by \$242,000 and the capital reserve fund increased by \$66,000.

The general fund is the Collaborative's chief operating fund. At year end, unassigned fund balance in the general fund totaled \$2.3 million. The decrease of \$242,000 in the general fund mainly relates to a budgetary deficit as well as a net transfer out to the capital reserve fund.

Fund balance in the Collaborative's capital reserve fund increased approximately \$66,000. This increase mainly relates to a \$100,000 transfer into the fund as a budgeted use of surplus funds from the general fund. This was offset by the use of the capital reserve for the purchase of a vehicle.

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 2023 approved budget for the general fund authorized \$11.2 million in appropriations. During the year, the original budget decreased by \$485,000 once more information was made available regarding estimated revenues.

Actual revenues were less than budget by \$175,000 and actual expenditures were also less than the budget by \$66,000.

Capital Asset and Debt Administration

The Collaborative's capital assets, net of accumulated depreciation, totaled \$1.6 million as of June 30, 2023. Capital acquisitions during the year totaled \$56,000, and depreciation expense in the amount of \$427,000 was recorded.

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 the lease in 2023 totaled \$458,000 and was reported as debt service principal and interest on right to use leases. The outstanding obligation reported at June 30, 2023, totaled \$1.1 million, which represents the present value of the future lease payments.

The Collaborative did not have any other short term or long term debt outstanding as of June 30, 2023.

Please refer to the Notes 4, 6 and 7 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 for most of the year, the Collaborative provided full time in-person scheduling in all programs for the entire year. Our SAIL program operated at a 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 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 2023. Our LEA school program was stable and ADH enrollment returned to pre-pandemic levels.
- The Old Rochester Regional School District appointed Ms. Rose Bowman to fill their vacant spot on the SMEC Board in September 2022. The Acushnet Representative did not run for re-election in April 2023 and his successor was not yet named as of June 30, 2023.
- For 2023, the Massachusetts Education and Government Association conducted an audit of SMEC's payroll records for the previous fiscal year. The Collaborative submitted all requested documentation, and all applicable standards were deemed to have been met.
- For 2023, the Department of Developmental Services Division of Investigations conducted its annual audit of SMEC's policies and procedures around the administration of Criminal Offender Record Information (CORI) screenings for employees. The audit found SMEC in compliance with all relevant regulations.
- The Department of Developmental Services conducted an on-site Program Compliance Audit of our SAIL program in May of 2022 and as a result, renewed the Collaborative's licenses in 2023 to operate day and residential programming for the next two-year cycle.
- SMEC issued a request for proposal to acquire facilities suitable to expand our elementary therapeutic day school program. A responsive proposal was received and evaluated and the Board subsequently awarded the contract to Northstar Learning Centers LLC for the purchase of 267 Samuel Barret Boulevard in Dartmouth. As of June 30, 2023, the completion of the sale process was delayed pending resolution of some minor Title issues.

- The Collaborative applied for and was awarded a 2023 Comprehensive School Health Services affiliate grant from the Department of Mental Health in the amount of \$30,000, to supplement our school health services.
- The Collaborative applied for and was awarded a \$100,000 grant from the DESE in March 2023 to improve air quality and our HVAC systems. Grant funds can be accessed for reimbursement of approved expenses through the end of 2024.
- The Collaborative applied for and was awarded a \$2,600 grant from the New Bedford Cultural Council to purchase school time performance tickets at the Zeiterion Theatre.

Economic Factors and Next Year's Budget

The original 2024 preliminary spending plan was approved at the June 20, 2023 Board meeting after the second reading. Due to proposed but not yet final increases in some of our adult service contract rates at the time of the budget presentation and the limitations of expanding our school programs due to the nationwide staffing shortage, the 2024 budget proposal was based on our best estimates, historical trends and conservative state contract and program enrollment figures.

The Collaborative finalized the purchase of 267 Samuel Barnet Boulevard in Dartmouth in late July 2023, and performed cosmetic upgrades and received approval from the DESE to transfer our public day school license for the Therapeutic Learning Center (TLC) program to the new space effective August 30, 2023. Plans to resume program growth and development planning during the spring of 2024 for 2025 implementation are in effect including the expansion of our Multidisciplinary Learning Center (MLC) program to the high school level and the development of an intensive preschool program in our former TLC location at 4238 Acushnet Avenue in New Bedford. One additional 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 2024 in order to expand our ability to apply for grant funding.

As of September 2023, 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 2022 numbers. Our SAIL Community Based Day Support Program has also seen an increase in enrollment and attendance nearing pre-pandemic levels.

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, 2023

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 157,362
Receivables, net of allowance for uncollectibles:	
Member tuition.....	1,497,028
Non member tuition.....	109,675
Intergovernmental.....	859,232
Prepaid expenses and deposits.....	50,000
Total current assets.....	<u>2,673,297</u>
NONCURRENT:	
Capital assets, nondepreciable.....	90,000
Capital assets, net of accumulated depreciation.....	<u>1,465,344</u>
Total noncurrent assets.....	<u>1,555,344</u>
TOTAL ASSETS.....	<u>4,228,641</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other postemployment benefits.....	<u>718,045</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	40,354
Accrued payroll and related withholdings.....	62,803
Unearned revenue.....	165,880
Right to use lease liabilities.....	428,757
Compensated absences.....	29,575
Total current liabilities.....	<u>727,369</u>
NONCURRENT:	
Right to use lease liabilities.....	704,262
Net other postemployment benefits liability.....	<u>2,746,634</u>
Total noncurrent liabilities.....	<u>3,450,896</u>
TOTAL LIABILITIES.....	<u>4,178,265</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to other postemployment benefits.....	<u>755,492</u>
NET POSITION	
Net investment in capital assets.....	422,325
Unrestricted.....	<u>(409,396)</u>
TOTAL NET POSITION.....	<u>\$ 12,929</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
Administration.....	\$ 978,354	\$ 663,184	\$ 19,205	\$ -	\$ (295,965)	
Instruction.....	4,123,821	-	52,200	-	(4,071,621)	
Other school services.....	199,339	-	-	-	(199,339)	
Operations and maintenance.....	187,158	-	-	-	(187,158)	
Fixed charges.....	863,005	-	-	-	(863,005)	
Intergovernmental on-behalf payments.....	1,268,542	-	1,268,542	-	-	
Health services.....	284,830	-	30,000	-	(254,830)	
Other postemployment benefits.....	207,256	-	-	-	(207,256)	
Summer programs.....	172,319	-	-	-	(172,319)	
ADH.....	1,152,086	1,879,727	32,471	-	760,112	
SAIL.....	1,955,612	2,093,483	100,402	-	238,273	
Interest.....	42,383	-	-	-	(42,383)	
Unallocated depreciation.....	427,221	-	-	-	(427,221)	
Total Governmental Activities.....	\$ 11,861,926	\$ 4,636,394	\$ 1,502,820	\$ -	\$ (5,722,712)	

(Continued)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue from previous page.....	\$ <u>(5,722,712)</u>
<i>General revenues:</i>	
Tuition.....	5,418,725
Unrestricted investment income.....	3,098
Miscellaneous revenue.....	<u>35,107</u>
Total general revenues.....	<u>5,456,930</u>
Change in net position.....	(265,782)
<i>Net position:</i>	
Beginning of year.....	<u>278,711</u>
End of year.....	\$ <u><u>12,929</u></u>

(Concluded)

See notes to basic financial statements.

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2023

	General	Capital Reserve Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 57,014	\$ 100,348	\$ 157,362
Receivables, net of uncollectibles:			
Member tuition.....	1,497,028	-	1,497,028
Non member tuition.....	109,675	-	109,675
Intergovernmental.....	859,232	-	859,232
Prepaid expenses and deposits.....	50,000	-	50,000
TOTAL ASSETS.....	\$ 2,572,949	\$ 100,348	\$ 2,673,297
LIABILITIES			
Warrants payable.....	\$ 39,279	\$ -	\$ 39,279
Accrued payroll and related withholdings.....	63,878	-	63,878
Unearned revenue.....	165,880	-	165,880
TOTAL LIABILITIES.....	269,037	-	269,037
FUND BALANCES			
Nonspendable.....	50,000	-	50,000
Committed.....	-	100,348	100,348
Unassigned.....	2,253,912	-	2,253,912
TOTAL FUND BALANCES.....	2,303,912	100,348	2,404,260
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 2,572,949	\$ 100,348	\$ 2,673,297

See notes to basic financial statements.

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

JUNE 30, 2023

Total governmental fund balances.....	\$ 2,404,260
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	1,555,344
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.....	(37,447)
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.....	(2,746,634)
Right to use lease liabilities.....	(1,133,019)
Compensated absences.....	(29,575)
Net effect of reporting long-term liabilities.....	(3,909,228)
Net position of governmental activities.....	\$ <u>12,929</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	General	Capital Reserve Fund	Total Governmental Funds
REVENUES:			
Member tuition.....	\$ 4,669,678	\$ -	\$ 4,669,678
Non-member tuition.....	749,047	-	749,047
Department of Developmental Services.....	2,484,142	-	2,484,142
Massachusetts Commission for the Blind.....	185,350	-	185,350
Department of Elementary and Secondary Education.....	104,692	-	104,692
MassHealth.....	1,775,035	-	1,775,035
Intergovernmental.....	234,278	-	234,278
Intergovernmental for on-behalf payments.....	1,268,542	-	1,268,542
Professional development.....	87,175	-	87,175
Miscellaneous.....	35,107	-	35,107
Investment income.....	3,002	96	3,098
TOTAL REVENUES.....	11,596,048	96	11,596,144
EXPENDITURES:			
Current:			
Administration.....	972,990	-	972,990
Instruction.....	4,122,559	-	4,122,559
Other school services.....	199,339	-	199,339
Operations and maintenance.....	191,088	-	191,088
Fixed charges.....	863,005	-	863,005
Intergovernmental on-behalf payments.....	1,268,542	-	1,268,542
Health services.....	284,830	-	284,830
Summer programs.....	173,581	-	173,581
SAIL.....	1,954,041	-	1,954,041
ADH.....	1,209,657	-	1,209,657
Other postemployment benefits.....	75,000	-	75,000
Debt service:			
Principal payments on right to use leases.....	415,271	-	415,271
Interest payments on right to use leases.....	42,383	-	42,383
TOTAL EXPENDITURES.....	11,772,286	-	11,772,286
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(176,238)	96	(176,142)
OTHER FINANCING SOURCES (USES):			
Transfers in.....	34,000	100,000	134,000
Transfers out.....	(100,000)	(34,000)	(134,000)
TOTAL OTHER FINANCING SOURCES (USES).....	(66,000)	66,000	-
NET CHANGE IN FUND BALANCES.....	(242,238)	66,096	(176,142)
FUND BALANCES AT BEGINNING OF YEAR.....	2,546,150	34,252	2,580,402
FUND BALANCES AT END OF YEAR.....	\$ 2,303,912	\$ 100,348	\$ 2,404,260

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, 2023

Net change in fund balances - total governmental funds.....	\$	(176,142)
<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.....	56,000	
Depreciation expense.....	<u>(427,221)</u>	
Net effect of reporting capital assets.....		(371,221)
<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 right to use lease liabilities.....	<u>415,271</u>	
Net effect of reporting long-term debt.....		415,271
<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.....	(1,434)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..	(26,706)	
Net change in net other postemployment benefits liability.....	<u>(105,550)</u>	
Net effect of recording long-term liabilities.....		<u>(133,690)</u>
Change in net position of governmental activities.....	\$	<u><u>(265,782)</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Other Postemployment Benefit Trust Fund
ASSETS	
Cash and cash equivalents.....	\$ 14,275
Investments:	
Equity mutual funds.....	427,550
Fixed income mutual funds.....	147,684
TOTAL ASSETS.....	589,509
NET POSITION	
Restricted for other postemployment benefits.....	\$ 589,509

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions to the trust.....	\$ 75,000
Employer contributions for other postemployment benefit payments....	<u>112,452</u>
Total contributions.....	<u>187,452</u>
Net investment income:	
Investment income.....	58,955
Less: investment expense.....	<u>(1,048)</u>
Net investment income.....	<u>57,907</u>
TOTAL ADDITIONS.....	<u>245,359</u>
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	<u>112,452</u>
NET INCREASE (DECREASE) IN NET POSITION.....	132,907
NET POSITION AT BEGINNING OF YEAR.....	<u>456,602</u>
NET POSITION AT END OF YEAR.....	<u>\$ 589,509</u>

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 programs, 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.

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

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 and right to use 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 assets 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 assets 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. Intangible Right to Use Lease Liability*Government-Wide Financial Statements*

Intangible right to use lease liabilities are reported at the present value of their future minimum lease payments. Lease payments are reported as reductions of the lease liability and as interest expense during the lease term.

Governmental Fund Financial Statements

The present value of the future minimum lease payments are reported within the governmental funds as other financing sources and a capital expenditure. Lease payments are reported as debt service expenditures.

O. 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).

P. Compensated Absences

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

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

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

R. Total Column*Government-Wide Financial Statements*

The total column, 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 \$171,637 and the bank balance totaled \$576,213. Of the bank balance, \$458,484 was covered by Federal Depository Insurance and \$117,729 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, 2023, the Collaborative had \$427,550 invested in equity mutual funds, and \$147,684 invested in fixed income mutual funds within its OPEB Trust fund. 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, 2023, no more than 5% of the Collaborative's investments were invested in any one corporate issuer.

NOTE 3 – RECEIVABLES

At June 30, 2023, receivables for the major governmental funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Member tuition.....	\$ 1,497,028	\$ -	\$ 1,497,028
Non member tuition.....	109,675	-	109,675
Intergovernmental.....	859,232	-	859,232
Total.....	<u>\$ 2,465,935</u>	<u>\$ -</u>	<u>\$ 2,465,935</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 90,000	\$ -	\$ -	\$ 90,000
<u>Capital assets being depreciated:</u>				
Building and right to use building.....	2,155,338	-	-	2,155,338
Building improvements.....	218,183	-	-	218,183
Vehicles.....	737,115	56,000	(29,400)	763,715
Equipment.....	101,635	-	-	101,635
Total capital assets being depreciated.....	<u>3,212,271</u>	<u>56,000</u>	<u>(29,400)</u>	<u>3,238,871</u>
<u>Less accumulated depreciation for:</u>				
Building and right to use building.....	(678,550)	(353,621)	-	(1,032,171)
Building improvements.....	(32,759)	(8,081)	-	(40,840)
Vehicles.....	(577,910)	(55,575)	29,400	(604,085)
Equipment.....	(86,487)	(9,944)	-	(96,431)
Total accumulated depreciation.....	<u>(1,375,706)</u>	<u>(427,221)</u>	<u>29,400</u>	<u>(1,773,527)</u>
Total capital assets being depreciated, net.....	<u>1,836,565</u>	<u>(371,221)</u>	<u>-</u>	<u>1,465,344</u>
Total governmental activities capital assets, net.....	<u>\$ 1,926,565</u>	<u>\$ (371,221)</u>	<u>\$ -</u>	<u>\$ 1,555,344</u>

Unallocated depreciation expense totaled \$427,221 for the year ended June 30, 2023.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERSInterfund Receivables and Payables

There were no interfund receivables or payables as of June 30, 2023.

Interfund Transfers

Interfund transfers for the year ended June 30, 2023, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Capital Reserve Fund	Total	
General fund.....	\$ -	\$ 100,000	\$ 100,000	(1)
Capital reserve fund.....	34,000	-	34,000	(2)
Total.....	\$ 34,000	\$ 100,000	\$ 134,000	

- (1) Represents a transfer from the general fund to the capital reserve fund, which was funded from surplus funds.
- (2) Represents a transfer from the capital reserve fund to the general fund for the purchase of a vehicle.

NOTE 6 – RIGHT TO USE 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 2023, totaled \$457,654, and is reported as debt service principal and interest on right to use 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 reported as a capital asset. The cost of the assets acquired through the lease totaled \$1,950,500, and the accumulated depreciation on those assets totaled \$905,000. The future operating lease payments under this agreement are as follows:

Years ending June 30th:	Governmental Activities		
	Principal	Interest	Total
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
Total.....	\$ 1,133,019	\$ 46,257	\$ 1,179,276

NOTE 7 – LOANS PAYABLEShort-Term Financing

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest on short-term borrowings are accounted for in the general fund. As of June 30, 2023, 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 flowing rate using the national prime rate plus 0.50% per annum.

For the year ended June 30, 2023, the Collaborative had not drawn down any amounts on this line of credit. Subsequent to year end, the Collaborative increased the available line of credit to \$455,000 and borrowed approximately \$172,000 against the line of credit. See Note 13 for further information.

Changes in Long-term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Right to use lease payable..... \$	1,548,290	\$ -	\$ (415,271)	\$ 1,133,019	\$ 428,757
Compensated absences.....	28,141	29,575	(28,141)	29,575	29,575
Net other postemployment benefits.....	2,641,084	319,708	(214,158)	2,746,634	-
Total governmental activity long-term liabilities..... \$	<u>4,217,515</u>	<u>\$ 349,283</u>	<u>\$ (657,570)</u>	<u>\$ 3,909,228</u>	<u>\$ 458,332</u>

NOTE 8 – 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, 2023, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Nonspendable:			
Prepaid expenses and deposits.....	\$ 50,000	\$ -	\$ 50,000
Committed to:			
Capital reserve.....	-	100,348	100,348
Unassigned.....	<u>2,253,912</u>	<u>-</u>	<u>2,253,912</u>
Total Fund Balances.....	<u>\$ 2,303,912</u>	<u>\$ 100,348</u>	<u>\$ 2,404,260</u>

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 9 – 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 10 – 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, 2022. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$565,777 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$6,877,930 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, 2022, which was \$235,465 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, 2022. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$702,765 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 \$8,940,726 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 11 – 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 2023, the Collaborative contributed approximately \$187,452 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 2023, the Collaborative contributed \$75,000 in additional funds to the OPEB trust fund in excess of the pay-as-you-go required contributions. As of June 30, 2023, the balance of this fund totaled \$589,509.

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, 2023:

Total OPEB liability.....	\$	3,336,143
Less: OPEB plan's fiduciary net position.....		<u>(589,509)</u>
Net OPEB liability.....	\$	<u><u>2,746,634</u></u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		17.67%

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, 2023:

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, June 30 2023.
Investment rate of return.....	5.91%, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.82%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023, and for future periods.
Municipal bond rate.....	4.13% as of June 30, 2023 (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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.60%. 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 3.66% is added to the expected inflation of 2.5% to produce the long-term expected nominal rate of return of 6.16%. 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, 2023, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity- large cap.....	47.50%	4.10%
Domestic equity- small/mid cap.....	5.75%	4.55%
International equity-developed markets..	6.00%	4.64%
International equity-emerging markets...	2.75%	5.45%
Domestic fixed income.....	20.25%	1.05%
International fixed income.....	2.00%	0.96%
Alternatives.....	10.75%	5.95%
Real estate.....	2.50%	6.25%
Cash and cash equivalents.....	2.50%	0.00%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.82% as of June 30, 2023, and 4.91% as of June 30, 2022. 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 4.13% as of June 30, 2023. 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, 2022.....	\$ 3,097,686	\$ 456,602	\$ 2,641,084
Changes for the year:			
Service cost.....	169,275	-	169,275
Interest.....	157,680	-	157,680
Changes in Assumptions.....	23,954	-	23,954
Investment income.....	-	57,907	(57,907)
Contributions to trust.....	-	187,452	(187,452)
Benefit payments.....	(112,452)	(112,452)	-
Net change.....	238,457	132,907	105,550
Balance at June 30, 2023.....	\$ 3,336,143	\$ 589,509	\$ 2,746,634

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 4.82%, 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 (3.82%) or 1-percentage-point higher (5.82%) than the current rate.

	1% Decrease (3.82%)	Current Discount Rate (4.82%)	1% Increase (5.82%)
Net OPEB liability.....	\$ 3,093,655	\$ 2,746,634	\$ 2,446,116

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 2023 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.....	\$ 2,364,374	\$ 2,746,634	\$ 3,204,998

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

For the year ended June 30, 2023, the Collaborative recognized OPEB expense of \$319,708. At June 30, 2023, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB of \$718,045 and \$755,492, respectively, from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 70,783	\$ (747,881)	\$ (677,098)
Difference between projected and actual earnings, net.....	-	(7,611)	(7,611)
Changes in assumptions.....	647,262	-	647,262
Total deferred outflows/(inflows) of resources.....	\$ 718,045	\$ (755,492)	\$ (37,447)

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

Year ended June 30:

2024.....	\$ 24,314
2025.....	21,266
2026.....	2,004
2027.....	(30,125)
2028.....	(58,328)
Thereafter.....	3,422
Total.....	\$ (37,447)

Changes of Assumption

The discount rate decreased from 4.91% to 4.82%.

Changes in Plan Provisions

None.

NOTE 12 – 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, 2023 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2023, which is the date the financial statements were available to be issued.

On July 26, 2023, the Collaborative finalized the purchase of 267 Samuel Barnet Boulevard in Dartmouth, Massachusetts. The Collaborative purchased the property for \$1,040,000 plus closing costs of approximately \$14,000, and subsequently performed various cosmetic upgrades to the site. To finance the purchase, the Collaborative paid a \$50,000 deposit, borrowed \$832,000 under a 25 year commercial promissory note with an initial interest rate of 6.05%, and used approximately \$172,000 of their existing line of credit. The Collaborative plans to use this space for the Therapeutic Learning Center program.

On the same date as the purchase of this property, the Collaborative increased their existing ability to draw on a line of credit of \$200,000, as described in Note 7, to \$455,000.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- 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, 2023

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Member tuition.....	\$ 5,560,000	\$ 5,610,000	\$ 4,669,678	\$ -	\$ (940,322)
Non-member tuition.....	324,120	8,500	749,047	-	740,547
Department of Developmental Services.....	3,350,000	2,589,817	2,484,142	-	(105,675)
Massachusetts Commission for the Blind.....	165,000	166,800	185,350	-	18,550
Department of Elementary and Secondary Education.....	82,000	102,000	104,692	-	2,692
MassHealth.....	1,556,000	1,800,000	1,775,035	-	(24,965)
Intergovernmental.....	-	109,895	234,278	-	124,383
Professional development.....	115,000	90,000	87,175	-	(2,825)
Miscellaneous.....	12,000	25,500	35,107	-	9,607
Investment income.....	-	-	3,002	-	3,002
TOTAL REVENUES.....	11,164,120	10,502,512	10,327,506	-	(175,006)
EXPENDITURES:					
Current:					
Administration.....	880,530	1,085,930	1,064,070	-	21,860
Instruction.....	3,788,800	4,062,300	4,122,559	-	(60,259)
Other school services.....	854,950	197,000	199,339	-	(2,339)
Operations and maintenance.....	252,000	179,550	191,088	-	(11,538)
Fixed charges.....	851,830	838,000	863,005	-	(25,005)
Other postemployment benefits.....	-	75,000	75,000	-	-
Health services.....	7,000	240,000	284,830	-	(44,830)
Summer programs.....	147,500	170,484	173,581	-	(3,097)
SAIL.....	3,008,930	2,434,000	2,092,914	-	341,086
ADH.....	1,363,580	1,287,520	1,437,358	-	(149,838)
TOTAL EXPENDITURES.....	11,155,120	10,569,784	10,503,744	-	66,040
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	9,000	(67,272)	(176,238)	-	(108,966)
OTHER FINANCING SOURCES (USES):					
Use of surplus.....	-	175,000	-	-	(175,000)
Transfers in.....	-	-	34,000	-	34,000
Transfers out.....	-	(100,000)	(100,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	75,000	(66,000)	-	(141,000)
NET CHANGE IN FUND BALANCE.....	9,000	7,728	(242,238)	-	(249,966)
FUND BALANCES AT BEGINNING OF YEAR.....	2,546,150	2,546,150	2,546,150	-	-
FUND BALANCES AT END OF YEAR.....	\$ 2,555,150	\$ 2,553,878	\$ 2,303,912	\$ -	\$ (249,966)

See notes to required supplementary information.

Collaborative Pension Plan Schedules

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

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

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

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

SCHEDULE OF CONTRIBUTIONS
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

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

Year	Collaborative's Statutory Required and Actual Contribution for Normal Cost	Collaborative's Covered Payroll	Amount of Contributions Recognized by the Pension Plan in Relation to Covered Payroll
2023.....	\$ 235,465	\$ 3,860,082	6.10%
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**

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>
2023.....	\$ 8,940,726	\$ 702,765	71.05%
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.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 6,877,930	\$ 565,777	57.75%
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	June 30, 2023
Total OPEB Liability							
Service Cost.....	\$ 143,374	\$ 121,095	\$ 135,798	\$ 115,908	\$ 121,415	\$ 143,160	\$ 169,275
Interest.....	96,650	106,134	129,668	130,106	165,283	162,885	157,680
Differences between expected and actual experience....	247,743	-	-	(140,481)	-	(962,746)	-
Changes of assumptions.....	-	-	-	264,242	235,492	530,484	23,954
Benefit payments.....	(47,992)	(79,618)	(94,416)	(101,900)	(116,920)	(122,767)	(112,452)
Net change in total OPEB liability.....	439,775	147,611	171,050	267,875	405,270	(248,984)	238,457
Total OPEB liability - beginning.....	1,915,089	2,354,864	2,502,475	2,673,525	2,941,400	3,346,670	3,097,686
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>	<u>\$ 3,336,143</u>
Plan fiduciary net position							
Employer contributions.....	\$ 50,000	\$ 25,000	\$ 125,000	\$ -	\$ -	\$ -	\$ 75,000
Employer contributions for OPEB payments.....	47,992	79,618	94,416	101,900	116,920	122,767	112,452
Net investment income (loss).....	7,836	12,150	18,840	10,523	106,839	(38,788)	57,907
Benefit payments.....	(47,992)	(79,618)	(94,416)	(101,900)	(116,920)	(122,767)	(112,452)
Net change in plan fiduciary net position.....	57,836	37,150	143,840	10,523	106,839	(38,788)	132,907
Plan fiduciary net position - beginning of year.....	139,202	197,038	234,188	378,028	388,551	495,390	456,602
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>	<u>\$ 589,509</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 2,157,826</u>	<u>\$ 2,268,287</u>	<u>\$ 2,295,497</u>	<u>\$ 2,552,849</u>	<u>\$ 2,851,280</u>	<u>\$ 2,641,084</u>	<u>\$ 2,746,634</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%	17.67%
Covered-employee payroll.....	\$ 6,502,663	\$ 6,697,743	\$ 6,898,675	\$ 6,038,644	\$ 6,219,803	\$ 6,353,085	\$ 6,543,678
Net OPEB liability as a percentage of covered-employee payroll.....	33.18%	33.87%	33.27%	42.28%	45.84%	41.57%	41.97%

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, 2023.....	\$ 285,956	\$ (187,452)	\$ 98,504	\$ 6,543,678	2.86%
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

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023.....	11.60%
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 2023 approved budget for the general fund authorized approximately \$11.2 million in appropriations. During 2023, the original budget decreased by approximately \$485,000.

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, 2023, is presented below:

Net change in fund balance - budgetary basis.....	\$	(242,238)
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		1,268,542
Recognition of expenditures for on-behalf payments.....		<u>(1,268,542)</u>
Net change in fund balance - GAAP basis.....	\$	<u>(242,238)</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, June 30 2023.
Investment rate of return.....	5.91%, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.82%, net of OPEB plan investment expense, including inflation.

Inflation rate.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023, and for future periods.
Municipal bond rate.....	4.13% as of June 30, 2023 (S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Mortality rates:	
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Schedule of Investment Returns

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

Changes of Assumptions

The discount rate decreased from 4.91% to 4.82%.

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 2023, totaled \$415,271, and \$42,383 and is reported as debt service principal and interest on leases, respectively, in the general fund.

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>
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
Total.....	\$ <u>1,133,019</u>	\$ <u>46,257</u>	\$ <u>1,179,276</u>

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

The following table presents the total compensation for the Collaborative's five most highly compensated employees for the year ended December 31, 2022, as reported on IRS form W-2, Wage and Tax Statement:

Name	Employee Position	Total Compensation
Catherine Cooper.....	Executive Director.....	\$ 172,929
Christopher Haraden.....	Director of Finance and Operations.....	121,012
Kristin Rego.....	Behavior Analyst/Assistant TLC Program Coordinator.....	111,408
Kimberly Wilmot.....	Director of Therapeutic Services.....	107,089
Jennifer Levasseur.....	Teacher/Team Lead.....	101,290

NOTE 4 – AMOUNTS EXPENDED ON ADMINISTRATION AND OVERHEAD

For the year ended June 30, 2023, the Collaborative expended \$595,000 and \$462,000 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, 2023, 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, 2023, the Collaborative spent \$2.0 million and \$1.2 million, for the Supporting Adults for Inclusive Learning (SAIL) 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 \$2,303,912 as the amount designated as Cumulative Surplus from general funds remaining in the Collaborative's accounts as of June 30, 2023. 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 2023		Enter values below	Page in FY23 FS
(A)	Surplus as of June 30, 2022	\$ 2,546,150	(A) p.18
	(Breakdown of use of 2022 surplus)		
	B(1) used to support the FY23 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)	\$ 175,000	
(B)	Board voted uses of surplus funds during FY23	(total from B1:B4) \$ 175,000	(B) p. N/a
(C)	Unexpended FY23 General Funds	\$ (67,238)	(C) p.18
(D)	Cumulative Surplus as of June 30, 2023	(A) - (B) + (C) = (D) \$ 2,303,912	(D) p.18
(E)	FY23 Total General Fund Expenditures *	\$ 10,503,744	(E) p.18
(F)	Cumulative Surplus Percentage	(D) ÷ (E) 21.93%	(F) p. N/a

CUMULATIVE SURPLUS REDUCTION Allowable uses of surplus - in excess of the 25% limit

(G)	Cumulative surplus as of June 30, 2023	\$ 2,303,912
	25% limit (allowed)	\$ 2,625,936
(H)	Cumulative Surplus REDUCTIONS	
	(H)1 Credited to member districts for tuition, services, etc.	\$ -
	(H)2 Deposit to an established trust and/or reserve fund	\$ -
	(H)3 Returned (check) to school districts/towns	\$ -
	Total Reductions	\$ -
	FY23 Cumulative Surplus Percentage after Reductions	21.93%

* 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, 2023, 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 28, 2023.

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 28, 2023