

**SOUTHERN WORCESTER COUNTY
EDUCATIONAL COLLABORATIVE**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
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BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

As Management of the Southern Worcester County Educational Collaborative, we offer readers of the Collaborative's financial statements this narrative overview and analysis of financial activities of the Collaborative for the fiscal year ended . We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic statements and notes to the basic statements.

Financial Highlights

The liabilities of the Southern Worcester County Educational Collaborative exceeded its assets at the close of the fiscal year by \$4,361,168 (net position). Of this amount, \$83,377 is invested in capital assets, net of related debt. The deficit in net position is a result of an Other Postemployment Benefits (OPEB) obligation liability in the amount of \$6,173,170 and deferred inflows of resources related to OPEB of \$442,551.

The total assets of the Collaborative are \$4,066,450 of which \$3,393,842 are current assets.

The total revenues of the Collaborative for fiscal year 2023 are \$9,242,386, an increase of \$568,285 (7%) over fiscal year 2022 .

The total expenses of the Collaborative for fiscal year 2023 are \$8,948,906 an increase of \$314,969 (4%) over fiscal year 2022 .

The overall financial position of the Collaborative increased by \$293,480 (6%).

Overview of Financial Statements

This overview is intended to serve as an introduction to the Collaborative's basic financial statements. The Collaborative's basic financial statements consist of 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 the Collaborative finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Collaborative's assets and liabilities, with the difference between the two as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Collaborative is improving or deteriorating.

The statement of activities presents information showing how the Collaborative's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of 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 fiscal periods.

Both of the government-wide financial statements distinguish functions that are principally supported by member tuitions and intergovernmental revenues (government activities). The governmental activities include general government, pension benefits, property and liability insurance, employee benefits, claims and judgments, and interest.

Fund Financial Statements

A fund is a grouping of related accounts or a single account 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 are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 activities to 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Southern Worcester County Educational Collaborative adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 9 through 12.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net position and changes in net position presented in fiduciary fund statements. Since by definition these assets are being held for the benefit of a third party (retiree health insurance participants) and cannot be used to address activities or obligations of the Collaborative, these funds are reported separately from that of the Collaborative's government-wide activities.

Notes to the 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. The notes to the financial statements can be found on pages 16 through 36 of this report.

Financial Analysis of Governmental Funds

As noted earlier, the Collaborative uses fund accounting to ensure and demonstrate compliance with local, state and federal requirements.

Governmental Funds – The focus of the Collaborative 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 financial requirements. In particular, undesignated fund balance may serve as a useful measure of the Collaborative’s net resources available for spending at the end of the fiscal year.

General Fund Budgetary Highlights

Actual general fund revenues are \$8,293,840, over budget by \$286,052, due to higher than budgeted supplemental income. Actual expenditures of \$7,737,632 are under budget by \$355,772.

Government-Wide Financial Analysis

	2023	2022	Change	%
Cash	\$ 2,592,219	\$ 2,376,879	\$ 215,340	9.06%
Other current assets	1,390,854	1,961,190	(570,336)	-29.08%
Capital assets	83,377	23,200	60,177	259.38%
Total assets	4,066,450	4,361,269	(294,819)	-6.76%
Current liabilities	1,578,151	2,148,225	(570,074)	-26.54%
OPEB liabilities	6,615,721	6,440,022	175,699	2.73%
Other liabilities	226,766	427,670	(200,904)	-46.98%
Total liabilities	8,420,638	9,015,917	(595,279)	-6.60%
Net investment in capital assets	83,377	23,200	60,177	259.38%
Unrestricted net position	(4,444,545)	(4,677,848)	233,303	-4.99%
Total net position	\$ (4,361,168)	\$ (4,654,648)	\$ 293,480	-6.31%
Charges for services	\$ 1,273,802	\$ 1,051,768	\$ 222,034	21.11%
Tuitions	6,922,946	6,478,522	444,424	6.86%
Operating grants and contributions	948,546	786,298	162,248	20.63%
Member dues	60,000	60,000	-	0.00%
Investment earnings	37,092	297,513	(260,421)	-87.53%
Total Revenue	9,242,386	8,674,101	568,285	6.55%
Administrative expenses	579,419	524,225	55,194	10.53%
Program expenses	8,369,487	8,054,518	314,969	3.91%
Operating expenses	8,948,906	8,578,743	370,163	4.31%
Changes in net position	\$ 293,480	\$ 95,358	\$ 198,122	207.77%

Fiscal Year 2023

The Collaborative has appropriated a balanced annual budget for FY2024. The Collaborative anticipates that revenue and expenses will be in line with the current fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Southern Worcester County Educational Collaborative purpose and financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office at the Southern Worcester County Educational Collaborative, P. O. Box 517, Southbridge, MA 01550.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Southern Worcester County Educational Collaborative
Dudley, Massachusetts

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Worcester County 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 aggregate discretely presented component unit and remaining fund information of the Collaborative as of June 30, 2023, and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 other 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 within one year after the date that the financial statements are available to be issued.

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 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, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4; schedule of revenues, expenditures and changes in fund balances – budget and actual – general fund; schedule of changes in the total OPEB liability and related ratios; schedule of the Collaborative's proportionate share of the net pension liability; and schedule of pension contributions on pages 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collaborative's basic financial statements. The supplementary Information Required by MGL Chapter 40 Section 4E on pages 41 and 42 is presented for purposes of additional analysis and is not a required part of the financial statements. This supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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, 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.

Bruce D. Norling, CPA, P.C.

Sudbury, Massachusetts
November 17, 2023

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current Assets	
Cash and equivalents	\$ 2,592,219
Accounts receivable	598,144
Prepaid expenses	203,479
Total current assets	3,393,842
Noncurrent Assets	
Lease Asset, net of accumulated amortization	589,231
Capital assets, net of accumulated depreciation	83,377
Total noncurrent assets	672,608
Total assets	4,066,450
LIABILITIES	
Current Liabilities	
Accounts payable	7,927
Accrued payroll	413,341
Other accrued liabilities	30,499
Current Lease Liability	418,670
Unearned revenue	714,695
Total current liabilities	1,585,132
Noncurrent Liabilities	
Net OPEB Liability	6,173,170
Long-term lease liability	217,766
Accrued employee benefits	9,000
Total noncurrent liabilities	6,399,936
Total liabilities	7,985,068
Deferred Inflows of Resources Related to OPEB	442,551
Total liabilities and deferred inflows of resources related to OPEB	8,427,619
NET POSITION	
Invested in capital assets, net of related debt	83,377
Restricted	-
Committed	350,000
Unrestricted (deficit)	(4,794,545)
Total net position	\$ (4,361,168)

See accompanying notes to financial statements

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental Activities				
Administration	\$ 613,210	\$ -	\$ -	\$ -
Instruction	4,370,817	594,304	-	-
Student support	80,177	-	-	-
Maintenance	72,616	-	-	-
Rent	423,684	-	-	-
Telephone and utilities	40,228	-	-	-
Employee benefits	2,455,159	-	948,546	-
Fixed assets/technology	95,416	-	-	-
Insurance	105,326	-	-	-
Wages and benefits - technicians	648,330	648,330	-	-
Transportation	31,169	31,169	-	-
Depreciation	12,775	-	-	-
Total governmental activities	<u>\$ 8,948,907</u>	<u>\$ 1,273,803</u>	<u>\$ 948,546</u>	<u>\$ -</u>
General revenues:				
Membership dues				60,000
Tuition income				6,922,946
Investment earnings				37,092
Total general revenues				<u>7,020,038</u>
Change in net position				293,480
				Net position - beginning of year <u>(4,654,648)</u>
				Net position - end of year <u>\$ <u>(4,361,168)</u></u>

See accompanying notes to financial statements

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,592,219	\$ -	\$ 2,592,219
Accounts receivable	598,144	-	598,144
Prepaid expenses	<u>340,699</u>	<u>-</u>	<u>340,699</u>
Total assets	<u>\$ 3,531,062</u>	<u>\$ -</u>	<u>\$ 3,531,062</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 145,146	\$ -	\$ 145,146
Accrued payroll	413,341	-	413,341
Other accrued liabilities	30,499	-	30,499
Unearned revenue	<u>714,695</u>	<u>-</u>	<u>714,695</u>
Total liabilities	<u>1,303,681</u>	<u>-</u>	<u>1,303,681</u>
Fund balances:			
Nonspendable			
Restricted	-	-	-
Committed	350,000	-	350,000
Assigned	-	-	-
Unassigned	<u>1,877,381</u>	<u>-</u>	<u>1,877,381</u>
Total fund balances	<u>2,227,381</u>	<u>-</u>	<u>2,227,381</u>
Total liabilities and fund balances	<u>\$ 3,531,062</u>	<u>\$ -</u>	<u>\$ 3,531,062</u>

See accompanying notes to financial statements

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balance, governmental funds \$ 2,227,381

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 83,377

Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-Term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (6,671,926)

Net Position of Governmental Activities in the Statement of Net Position. \$ (4,361,168)

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Tuition income	\$ 6,922,946	\$ -	\$ 6,922,946
Membership dues	60,000	-	60,000
Program service fees	1,206,902	-	1,206,902
Governmental income	948,546	-	948,546
Summer program service fees	66,900	-	66,900
Interest and other income	37,092	-	37,092
	<hr/>	<hr/>	<hr/>
Total revenues	9,242,386	-	9,242,386
EXPENDITURES			
Administration	613,210	-	613,210
Instruction	4,406,776	-	4,406,776
Student support	80,177	-	80,177
Maintenance	85,596	-	85,596
Rent	376,479	-	376,479
Telephone and utilities	40,228	-	40,228
Employee benefits	2,179,460	-	2,179,460
Fixed assets/technology	119,428	-	119,428
Insurance	105,326	-	105,326
Wages and benefits - technicians	648,330	-	648,330
Transportation	31,169	-	31,169
	<hr/>	<hr/>	<hr/>
Total expenditures	8,686,178	-	8,686,178
Excess of revenues over expenditures	<hr/>	<hr/>	<hr/>
	556,208	-	556,208
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	-	-
Transfers to OPEB Trust	(100,000)	-	(100,000)
	<hr/>	<hr/>	<hr/>
Total other financing sources and uses	(100,000)	-	(100,000)
Net change in fund balances	456,208	-	456,208
Fund balances - beginning of year	1,771,173	-	1,771,173
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	\$ 2,227,381	\$ -	\$ 2,227,381

See accompanying notes to financial statements

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Excess of revenues over expenditures	\$	556,208
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Amounts reported for Governmental Activities in Statement of Activities are different because:

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

This is the amount of capital outlays of \$72,951 less depreciation of \$12,775 and lease adjustment 47,205 in the current period.		12,971
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in OPEB liability not reflected on Governmental funds		<u>(275,699)</u>
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Change in net position of governmental activities	\$	<u><u>293,480</u></u>
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**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

ASSETS

	OTHER POSTEMPLOYMENT BENEFITS TRUST	AGENCY FUNDS- STUDENT ACTIVITIES
CURRENT:		
Investments:		
Money Market	\$ 3,979	\$ -
Mutual Funds- Equity	513,501	-
Mutual Funds - Fixed Income	299,577	-
Cash	-	3,080
Total Assets	817,057	3,080

LIABILITIES

CURRENT:		
Amounts Held for Students	\$ -	\$ 3,080
Total Liabilities	-	3,080

NET POSITION

Net position held in trust for other purposes	817,057	-
Total net position	\$ 817,057	\$ -

See accompanying notes to financial statements

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
OTHER POSTEMPLOYMENT BENEFITS TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

JUNE 30, 2023

Additions:

Contributions	\$ 100,000
Investment Return	<u>98,645</u>
Total Additions	<u>198,645</u>

Deductions:

Retiree health insurance expense	<u>-</u>
Total Deductions	<u>-</u>

Change in Net Position 198,645

Net Position - Beginning of Year 618,412

Net Position - End of Year \$ 817,057

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Southern Worcester County Educational Collaborative (the Collaborative) is an educational collaborative established under Massachusetts General Laws, Chapter 40, Section 4E and Board of Education policy and an agreement between School Committees of the Towns of Auburn, Grafton, Leicester, Millbury, Oxford, Northbridge, North Brookfield, Southbridge, Sutton, Uxbridge, Webster, the Dudley-Charlton Regional School District, the Quaboag Regional School District, the Spencer-East Brookfield Regional School District, and the Tantasqua/Union 61 Regional School District. The Collaborative was formed in 1975 with the purpose of analyzing and implementing programs and services for school-age children with special needs when such programs and services are best served by a collaborative effort.

The accounting and reporting policies of the Collaborative relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

B. Financial Reporting Entity

The Collaborative's basic financial statements include the accounts of all Collaborative operations. The criteria for including organizations as component units within the Collaborative's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Report Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Collaborative holds the corporate powers of the organization
- The Collaborative appoints a voting majority of the organization's Board
- The Collaborative is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Collaborative
- There is fiscal dependency by the organization on the Collaborative

Based on the aforementioned criteria, The Southern Worcester County Educational Collaborative has no component units.

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

C. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the Collaborative.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Member tuition and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The Collaborative segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental activities typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Collaborative has presented the following major governmental funds:

General Fund – This fund is the main operating fund of the Collaborative. It is used to account for all financial resources not accounted for in other funds. All member tuitions and other fees that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, insurance and benefits and other costs that are not paid through other funds are paid from the General Fund. The general fund is always considered a major fund.

Nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds' financial statements. For example, a special revenue fund is used to account for the proceeds of specific revenue sources (other than capital projects or permanent funds) that are restricted by law or administrative action to expenditures for specified

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

purposes. The Collaborative determined it has no nonmajor governmental funds.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net position and changes in net position presented in fiduciary fund statements. The following is a description of the fiduciary funds of the Collaborative:

Other Post-Employment Benefits Trust Fund accounts for resources legally held in trust for the purpose of accumulating resources to fund future health insurance benefits for retired employees of the Collaborative. Since these funds cannot be used for providing the Collaborative services, they are excluded from the Collaborative's government-wide activities.

The Agency Fund is used to hold funds on behalf of parties other than the Collaborative. This consists primarily of funds related to student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

D. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations on its use either through the enabling legislations adopted by the Collaborative or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Collaborative is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through

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debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation (Massachusetts General Laws or Collaborative Agreement).

Enabling legislation authorizes the Collaborative to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. Legal enforceability means that the Collaborative can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purpose specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Collaborative Board. Those committed amounts cannot be used for any other purpose unless the Collaborative Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts by the Collaborative Board, are separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Collaborative for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Collaborative Board, or a Collaborative official delegated that authority by the Collaborative Agreement or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to 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, and unassigned) amounts are available. Similarly, within unrestricted

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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 restricted fund balance classifications could be used.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental and fiduciary fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both 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 be used to pay liabilities of the current period.

The Collaborative considers revenues as available if they are collected with 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement costs, claims and judgments are recorded only when payment is due. The revenues susceptible to accrual are tuitions, membership dues, program service fees, reimbursable income, interest income and intergovernmental revenues. All other governmental fund revenue is recognized when received.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and

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assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Fair Value Measurements

The Collaborative measures assets, with the exception of capital assets, and liabilities according to the hierarchy established by GAAP. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are the assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk. The following levels are considered:

Level 1: Quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2: Pricing inputs that are directly observable for an asset or a liability (included quoted prices for similar assets or liabilities), as well as inputs that are not directly observable for an asset or a liability.

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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Collaborative considers most assets and liabilities to be reported as Level 1 inputs.

I. Cash, Cash Equivalents, and Investments

The Collaborative considers cash and cash equivalents 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 defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by GAAP.

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J. Inventories of Supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of net assets as inventories.

K. Interfund Receivable and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

L. Pensions

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

M. Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred inflows of resources related to OPEB and OPEB expense information has been determined based on an actuarial valuation of the Collaborative's OPEB Plan.

N. Longevity Stipends

Professionals and Para-Professionals can be compensated for longevity after 10 years of employment. For Governmental Funds, vested or accumulated longevity stipends that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities.

O. Encumbrances and Continuing Appropriations

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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P. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Q. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$2,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Leasehold Improvements	15 Years
Furniture and Equipment	5-10 Years

R. Claims and Judgments

Estimated losses from judgments and claims are recorded in the government-wide financial statements as a liability and as an expense if the loss is probable and amounts can be reasonably estimated.

S. Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

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T. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis. At June 30, 2023, no allowance for doubtful accounts has been reported as management feels accounts receivable are all collectible.

U. Adoption of New Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, Leases. The Statement increased the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that were previously not reported. During the current year, the Collaborative adopted GASB No. 87, Leases. The impact on the pronouncement is shown in Footnote No. 8.

V. Upcoming Accounting Pronouncements

The GASB has issued the following statements, which require adoption subsequent to June 30, 2023 and may be applicable to the Collaborative. The Collaborative has not yet adopted these statements, and the implication on the Collaborative's fiscal practices and financial reports is being evaluated.

Statement No.		Adoption Required in Fiscal Year
99	<i>Omnibus 2022</i>	2024
100	<i>Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62</i>	2024
101	<i>Compensated Absences</i>	2025

2. DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Collaborative. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization or insurance protection by the financial institutions involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of 90 days or less which are collateralized by such securities. The Collaborative also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

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The Collaborative has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments in relation to the Collaborative's restricted investments in the Permanent Funds.

The Collaborative maintains a cash and investment pool that is available for use by all funds with unrestricted cash and investments. At June 30, 2023, the Collaborative had no investments.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Collaborative's deposits may not be recovered. The Collaborative does not have a policy for custodial credit risk of deposits. As of June 30, 2023, all of the Collaborative's bank accounts were fully insured by the FDIC up to \$250,000 and the balance insured by the DIF, leaving none of the Collaborative's bank balances as uninsured or uncollateralized and, therefore exposed to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Collaborative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Collaborative does not have a policy for custodial credit risk of investments.

Interest Rate Risk of Debt Securities – Investments

Interest rate risk of debt securities for investments is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Collaborative does not have a policy for interest rate risk of debt securities.

Credit Risk of Debt Securities – Investments

Credit risk of debt securities for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation. The Collaborative does not have a policy for credit risk of debt securities.

3. PENSION PLANS

The Collaborative sponsors two retirement plans for its employees.

Massachusetts State Employees' Retirement System

Plan Description and Provisions

The Collaborative provides pension benefits for substantially all employees except certain administrative employees, professional employees and teachers, through the Massachusetts State Employees' Retirement System (MSERS), a cost sharing multiple-employer defined benefit plan established under the Massachusetts

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Contributory Retirement Law. Benefit provisions and contribution requirements are established by state law.

MSERS provides retirement benefits up to a maximum of 80% of a member's highest three-year average annual compensation. Benefit payments are based upon member's age, length of creditable service, level of compensation, and group classification.

Members of the system become fully vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The Plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years creditable service, (2) was on the Collaborative payroll after January 1, 1978, (3) voluntarily left Collaborative employment on or after that date, and (4) left accumulated annuity deductions in the Fund.

The MSERS issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission.

Contributions

Plan members are required to contribute to the MSERS at rates ranging from 5% to 11% of their annual covered compensation, on a pre-tax basis. The Collaborative is required to contribute at an actuarially determined rate that is apportioned among employees based on active current payroll. The contribution requirements of plan members are established and may be amended by the MSERS Board of Trustees. The Collaborative's current contribution rate is 6.1%.

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 – 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Annual Pension Cost

The Collaborative's required and actual contributions to MSERS were \$98,075. Pension expense to the Commonwealth of Massachusetts for the Collaborative amounted to \$291,482. Therefore, \$193,407 is reflected as revenues and corresponding expenditures in the Collaborative's financial statements for the portion of the Commonwealth's pension expense not required to be paid by the Collaborative. Collaboratives contribute amounts equal to the normal cost of

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employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives. The Commonwealth as a non-employer is legally responsible for the entire past service cost related to the Collaboratives.

Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

Plan Description and Provisions

Certain employees of the Collaborative participate individually in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. Benefit provisions and contribution requirements are established by state law. Eligibility requirements for participation are as follows:

- The employees must be employed on at least a half-time basis in a contracted professional position within a public school system located in Massachusetts.
- The employee must be certified by the Massachusetts Department of Education for a position which requires certification.

The Massachusetts Teachers' Retirement System (MTRS) issues a publicly available financial report.

Contributions

Participation in the plan requires that members contribute a fixed percentage of their compensation each pay period depending upon the date of employment. Employee contributions vest immediately. After 10 years of service, employee benefits become fully vested. After 20 years, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest-salaried years of the employee service and are determined in a manner similar to the provisions of MSERS.

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 – 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)

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

The Collaborative has no obligation to contribute to the MTRS. All pension benefits and expenses paid by the Teachers' Retirement Board to employees of the Collaborative are funded by the Commonwealth of Massachusetts. Pension expense to the Commonwealth of Massachusetts for the Collaborative amounted to \$755,139 in fiscal year 2023 and this amount is reflected as revenues and corresponding expenditures in the Collaborative's financial statements.

Pension Liabilities and Pension Expense

The Collaborative is considered to be a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the Commonwealth of Massachusetts is a non-employer contributing entity for MTRS and MSERS. Therefore, the Collaborative is required to disclose, but not record, the portion of the non-employer contributing entity's share of the collective net pension liability that is associated with the employer. The Collaborative's proportion and proportionate share of the pension plans' net pension liability is disclosed in the supplemental schedule on page 36.

As a special funding situation, the Collaborative must recognize its portion of the collective pension expense as both a revenue and pension expense. As indicated above, for the year ended June 30, 2023, the Collaborative recognized pension expense and revenue of \$193,407 (MSERS) and \$755,139 (MTRS).

For both MSERS and MTRS, the net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liabilities were determined by actuarial valuations as January 1, 2022 rolled forward to June 30, 2022.

The Collaborative's proportion of the net pension liability was based on a projection of the Collaborative's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At January 1, 2022, the Collaborative's proportion was 0.0277% for MSERS and 0.0355% for MTRS.

Actuarial assumptions

The total pension liability in the January 1, 2022 actuarial valuations for MSERS and MTRS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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- 1.(a) 7.00% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% (MSERS) and 4.0% to 7.5% (MTRS) depending on group and length of service.
3. Mortality rates were as follows:
 - MSERS:
 - Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females
 - Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year for females
 - Disability - the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year.
 - MTRS:
 - Pre-retirement - reflects Pub-2010 Teachers Employees mortality table projected generationally with Scale MP-2020 (gender distinct)
 - Post-retirement - reflects Pub-2010 Teachers Retirees mortality table projected generationally with Scale MP-2020 (gender distinct)
 - Disability - assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table projected generationally with Scale MP-2020(gender distinct).

Investment assets of MSERS and MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	38%	4.2%
Core Fixed Income	15	.5
Private Equity	15	7.3
Portfolio Completion Strategies	10	3.3
Real Estate	10	3.3

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Value Added Fixed Income	8	3.7
Timber/Natural Resources	<u>4</u>	3.9
Total	<u><u>100%</u></u>	

Discount rate -

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Collaborative's proportionate share of the net pension liability to changes in the discount rate - The following presents the Collaborative's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Collaborative's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

Collaborative's proportionate share of the net pension liability	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
MTRS	\$11,607,498	\$9,179,928	\$7,125,435
MSERS	\$5,309,879	\$3,849,903	\$2,614,540

Pension plan fiduciary net position - The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 57.75% for MTRS and 71.05% for MSERS.

4. CAPITAL ASSETS

Capital asset activity for the year ended was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Leasehold improvements	\$182,980	-	-	\$182,980
Furniture and equipment	<u>198,291</u>	<u>72,952</u>	-	<u>271,243</u>
Total capital assets being depreciated	<u>381,271</u>	<u>72,952</u>	-	<u>454,223</u>

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Less accumulated depreciation for:

Leasehold improvements	168,017	-	9,362	177,379
Furniture and equipment	<u>190,055</u>	<u>-</u>	<u>3,413</u>	<u>193,468</u>
Total accumulated depreciation	<u>358,072</u>	<u>-</u>	<u>12,775</u>	<u>370,847</u>
Total capital assets being depreciated, net	<u>23,199</u>	<u>72,952</u>	<u>12,775</u>	<u>83,376</u>
Governmental activities capital assets net of accumulated depreciation	<u>\$ 23,199</u>	<u>-</u>	<u>12,775</u>	<u>\$ 83,376</u>

Depreciation expense is not allocated to programs of the primary government but is shown as a separate line item in the statement of activities.

5. INVESTMENTS

Since FY19, the Collaborative has contributed \$725,000 to a public employee trust account, with the Treasurer of the Collaborative as trustee, on behalf of its retirees' health insurance trust fund. The trust does not issue a separate financial report and its financial activities are reported in the fiduciary financial statements. The trustee invests the funds in mutual funds. As of June 30, 2023, the balance in this investment consisted of the following:

Description	Level 1	Total
Money Market	\$ 3,979	\$ 3,979
Mutual Funds - Equity	513,501	513,501
Mutual Funds - Fixed Income	<u>299,577</u>	<u>299,577</u>
Total	<u>\$817,057</u>	<u>\$817,057</u>

There was a \$98,645 return on investment in FY23 which includes both realized and unrealized gains.

6. LONG-TERM OBLIGATIONS

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

	Balance <u>July 1</u>	Issues or <u>Additions</u>	Payments or <u>Expenditures</u>	Balance <u>June 30</u>	Due Within <u>One Year</u>
<u>Governmental Type Activities</u>					
Employee Benefits	<u>\$ 9,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 9,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ -</u>

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7. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustments by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Collaborative. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Collaborative expects such amounts, if any, to be immaterial.

8. LEASE COMMITMENTS

The Collaborative rents classrooms and administrative office space at several locations. Rent payments under these leases was \$466,516 for the year ended June 30, 2023.

Future lease commitments are as follows:

Fiscal Year	Space	Total
2024	466,403	466,403
2025	<u>234,098</u>	<u>234,098</u>
Total	<u>\$ 700,501</u>	<u>\$ 700,501</u>

In accordance with FASB ASC 842, "Leases," the Organization recorded a lease liability under this operating lease in the amount of \$1,025,587 as of June 30, 2022 based on the present value of the remaining lease payments for the lease term at Organization's incremental borrowing rate of 7.5%. A corresponding lease asset was recorded in the amount of \$1,025,587 as of June 30, 2022 based on the present value of the remaining lease payments. Below is the amortization schedule for the lease period.

	<u>Cash pay</u>	<u>Int exp</u>	<u>Liab reduction</u>	<u>Total Liability</u>	<u>Amort Exp/SL</u>	<u>Net Asset Balance</u>	<u>Acc dep</u>
FY23	462,845	73,694	389,151	636,436	392,821	589,232	785,642
FY24	466,403	47,733	418,670	217,766	392,822	196,410	1,178,464
FY25	234,098	16,332	217,766	-	196,411	-	1,374,875

9. RISK FINANCING

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; workers compensation claims; errors and omissions; and natural disasters for which the Collaborative carries commercial insurance.

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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description – The Collaborative’s defined benefit Other Post Employment Benefit (OPEB) plan (hereinafter referred to as the “Plan”) provides OPEB for all permanent full-time employees. The Plan is a single-employer defined benefit OPEB plan administered by the Collaborative. Chapter 32B of the Massachusetts General Law (MGL) assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a standalone financial report since there are no assets legally segregated in a trust for the sole purpose of paying benefits under the Plan.

Benefits Provided – The Plan provides medical insurance coverage for its retirees and their survivors. The benefit terms provide for payment of 50% of health insurance premiums. An employee is eligible to retire under this plan upon attainment of age 55 and 15 years of service.

Employees Covered by Benefit Terms.

At June 30, 2022, plan membership consisted of the following:

Active employees	84
Inactive employees or beneficiaries currently receiving benefits	<u>27</u>
Total	<u>111</u>

Funding Policy – The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. The Collaborative currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.

Total OPEB Liability

The Collaborative’s total OPEB liability of \$6,990,227 was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs - The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3%

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

Investment rate of return	5.42%, net of OPEB plan investment expense, including inflation
Single equivalent discount rate	4.53%, net of OPEB investment expense, including inflation
Healthcare cost trend rates	4.53%
Retirees' share of benefit related costs	50% of projected health care premiums

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Tables projected generationally with scale MP and a base year 2016 for males and females.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend.

The schedule of changes in the total OPEB liability and related ratios presented in the required supplementary information following the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the total OPEB liability.

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability as of the June 30, 2023 measurement date calculated using the discount rate of 4.53%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.53%) or 1-percentage-point higher (5.53%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
OPEB liability as of 6/30/23	3.53% \$7,547,077	4.53% \$6,173,170	5.53% \$5,096,815

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability as of June 30, 2023, calculated using the trend rate of 4.53% per year, as well as what the Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower (3.53% per year) or 1-percentage-point higher (5.53% per year) than the current rate:

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

	1% Decrease	Current Discount Rate	1% Increase
OPEB liability as of 6/30/23	3.53% \$4,964,378	4.53% \$6,173,170	5.53% \$7,758,990

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Collaborative recognized OPEB expense of \$175,699. The Plan's deferred (inflows) of resources arise from the recognition of the effects of differences between actual and expected experience. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year ended June 30:	
2024	(200,800)
2025	(206,029)
2026	(72,556)
2027	52,194
2028	(8,293)
Thereafter	(7,067)
Total	\$ (442,551)

GASB Statement #74

GASB Statement #74 is associated with reporting of the OPEB plan as of the reporting date, June 30, 2023. As of June 30, 2023, the Collaborative maintained \$817,057 in the OPEB Trust Fund. For the Plan's fiscal year ending June 30, 2023, contributions and benefit payments have been reported on the pay-as-you go basis.

Net OPEB Liability

In Accordance with GASB Statement #74, the Collaborative recognizes a net OPEB liability measured as the portion of the actuarial present value of projected benefit payments that is attributable to the past periods of employee services, net of the OPEB plan's fiduciary net position. The Collaborative's net OPEB liability recognized as of the Plan reporting date of June 30, 2023 is presented in the following table:

Total OPEB Liability	\$ 6,990,227
Fiduciary Net Position	(817,057)
Net OPEB Liability	\$ 6,173,170

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

11. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Collaborative is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Committed:	\$ 350,000	\$ -	\$ 350,000
Unassigned:	<u>1,877,381</u>	<u>-</u>	<u>1,877,381</u>
Total Fund Balances	<u>\$ 2,227,381</u>	<u>\$ -</u>	<u>\$ 2,227,381</u>

Committed represents excess surplus amounts to be returned to member communities during FY24. This was action was voted upon by the Board.

12. EVALUATION OF SUBSEQUENT EVENTS

The Collaborative has evaluated subsequent events through November 17, 2023 the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Position (Negative)
	Original	Final		
REVENUES				
Tuition Income	\$ 6,865,208	\$ 6,865,208	\$ 6,922,946	\$ 57,738
Membership dues	60,000	60,000	60,000	-
Program services fees	1,019,600	1,019,600	1,206,902	187,302
Summer program service fees	49,980	49,980	66,900	16,920
Interest and other income	13,000	13,000	37,092	24,092
Total revenues	<u>8,007,788</u>	<u>8,007,788</u>	<u>8,293,840</u>	<u>286,052</u>
EXPENDITURES				
Administration	786,028	786,028	613,210	172,818
Instruction	4,488,420	4,488,420	4,406,776	81,644
Student support	70,411	70,411	80,177	(9,766)
Maintenance	105,928	105,928	85,596	20,332
Rent	462,844 #	462,844	376,479	86,365
Telephone and utilities	46,016	46,016	40,228	5,788
Employee benefits	1,243,304	1,243,304	1,230,913	12,391
Fixed assets/technology	80,673	80,673	119,428	(38,755)
Insurance	119,714	119,714	105,326	14,388
Wages and benefits - technicians	653,041	653,041	648,330	4,711
Transportation	37,025	37,025	31,169	5,856
Total expenditures	<u>8,093,404</u>	<u>8,093,404</u>	<u>7,737,632</u>	<u>355,772</u>
Excess of revenues over expenditures	<u>(85,616)</u>	<u>(85,616)</u>	<u>556,209</u>	<u>641,825</u>
OTHER FINANCING SOURCES (USES)				
Use of unreserved surplus	-	-	-	-
Transfers in (out)	-	-	(100,000)	100,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>100,000</u>
Excess of revenues over expenditures	<u>\$ (85,616)</u>	<u>\$ (85,616)</u>	<u>\$ 456,209</u>	<u>\$ 541,825</u>

Notes to schedule

The Board of Directors annually determines the amount to be raised (after deducting the amount of anticipated revenues from other sources, including surplus revenue, if any) to maintain and operate the Collaborative during the next fiscal year and then, based upon enrollment data, assesses the member and non-member districts in accordance with the terms of the agreement. An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2023 approved expenditure budget for the general fund was \$8,093,404. The above schedule presents a comparison of budgetary data to actual results. The differences between the General Fund and the budget basis is the recognition in the General Fund of grossing up of revenues and expenses to reflect On Behalf Teacher's Retirement paid by the Commonwealth of Massachusetts. Deficits, if any, are raised in the subsequent year's budget process.

The Collaborative prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Collaborative's method (budget basis) in the above schedule to provide meaningful comparison of actual results with budget.

Reconciliation of the budget basis to the General Fund GAAP basis is provided below:

	Revenue	Expenditures	Transfers/Change in Fund Balance	Excess (Deficit)
Budget basis	8,293,840	7,737,632	(100,000)	456,209
Recognized on-behalf pension payments	948,546	948,546		
GAAP Basis	<u>9,242,386</u>	<u>8,686,178</u>	<u>(100,000)</u>	<u>456,209</u>

**SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2023**

Measurement Date June 30, 2023

Total OPEB Liability		
Service cost	\$	331,505
Interest		304,522
Changes in assumptions`		(49,439)
Differences between expected and actual experience		-
Benefit payments		(123,074)
Net change in total OPEB liability	\$	463,514
Total OPEB liability - beginning		6,526,713
Change in estimates		-
Total OPEB liability - ending	\$	<u>6,990,227</u>
Covered-employee payroll	\$	4,921,675
Total OPEB liability as a percentage of covered- employee payroll		142.0%

See independent auditors' report on supplementary information.

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
SCHEDULE OF THE COLLABORATIVE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2023

	June 30, 2022		June 30, 2021		June 30, 2020		June 30, 2019		June 30, 2018		June 30, 2017	
	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS
Collaborative's proportion of the net pension liability	0.0355%	0.0277%	0.0384%	0.0306%	0.0365%	0.0290%	0.0391%	0.0278%	0.0374%	0.0269%	0.0347%	0.0342%
Collaborative's proportionate share of the net pension liability	\$ 9,179,928	\$ 3,849,903	\$ 8,708,524	\$ 3,196,210	\$ 10,429,511	\$ 4,974,482	\$ 9,860,380	\$ 4,066,976	\$ 8,875,715	\$ 3,560,611	\$ 7,947,886	\$ 4,388,699
Collaborative's covered-employee payroll	3,170,538	1,607,787	2,843,280	1,863,902	2,473,116	2,096,964	3,341,575	1,777,286	3,240,393	1,729,375	2,762,050	1,930,554
Collaborative's proportionate share of the net pension liability as a percentage of its covered-employee payroll	289.54%	239.45%	306.28%	171.48%	421.72%	237.22%	295.08%	228.83%	273.91%	205.89%	287.75%	227.33%
Plan fiduciary net position as a percentage of the total pension liability	62.03%	77.54%	62.03%	77.54%	50.67%	62.48%	53.95%	66.28%	54.84%	67.91%	54.25%	67.21%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

Schedule Presentation

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

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2023

	June 30, 2022		June 30, 2021		June 30, 2020		June 30, 2019		June 30, 2018		June 30, 2017	
	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS
Contractually required contribution	\$	98,075	\$	113,698	\$	117,430	\$	99,528	\$	96,845	\$	108,111
Contributions in relation to the contractually required contribution	\$	98,075	\$	113,698	\$	117,430	\$	99,528	\$	96,845	\$	108,111
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Collaborative's covered-employee payroll	\$	3,170,538	\$	2,843,280	\$	2,473,116	\$	3,341,575	\$	3,240,393	\$	2,762,050
Contributions as a percentage of covered-employee payroll		0%		6.1%		6.1%		0%		5.6%		5.6%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System
MSERS is the Massachusetts State Employees' Retirement System

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

Schedule Presentation

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

Contributions

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

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
Supplemental Schedule - Information Required by MGL Chapter 40 Section 4E
JUNE 30, 2023

The following information is provided to conform to Massachusetts General Law, Chapter 40, Section 4E which establishes the requirements for the formation and administration of Educational Collaboratives in Massachusetts.

1. Transactions between the Collaborative and any related for-profit or non-profit organizations: None

2. Transactions or contracts related to the purchase, sale, rental or lease of real property:

Annual contracts for the lease of classroom space from member school districts at the following locations:

Annual contract for the lease of classroom space in Southbridge, from E & M Realty	225,616
Long-term lease for classroom space and office space at Rt. 131, Dudley, MA from G & B Realty	<u>237,229</u>
Total rent paid for real estate	\$ <u>462,845</u>

3. The names, duties and total compensation of the five most highly compensated employees:

Name	Position	Salary
Lundwall, Arnold	Executive Director	\$ 143,910
Todd, Dennis	Director of Special Services	122,950
Cacace, Anthony	Principal	115,000
Glazier, Eric	Principal	113,300
Jarvis, Justin	Behavior Specialist	<u>110,227</u>
	Total	<u>\$ 605,387</u>

4. The amounts expended on administration and overhead: \$579,419.
5. Any accounts held by the Collaborative that may be spent at the discretion of another person or entity: None
6. The amounts expended on services for individuals age 22 and older: None
7. Surplus Funds cannot exceed 25% of general fund expenditures.

SOUTHERN WORCESTER COUNTY EDUCATIONAL COLLABORATIVE
Supplemental Schedule - Information Required by MGL Chapter 40 Section 4E
JUNE 30, 2023

FY23 Cumulative Surplus Calculation Worksheet		SWCEC		Page in FY23 FS
Enter values below				
(A)	Surplus as of June 30, 2022	\$	1,771,173	(A) 12
	<i>(Breakdown of use of 2022 surplus)</i>			
	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)	\$	-	
(B)	Board voted uses of surplus funds during FY23	<i>(total from B1:B4)</i>	\$ -	(B) p.
(C)	Unexpended FY23 General Funds	\$	456,208	(C) p.
(D)	Cumulative Surplus as of June 30, 2023	$(A) - (B) + (C) = (D)$	\$ 2,227,381	(D) p.
(E)	FY23 Total General Fund Expenditures	\$	7,737,632	(E) p.
(F)	Cumulative Surplus Percentage	$(D) \div (E)$	28.79%	(F) p.
CUMULATIVE SURPLUS REDUCTION				
Allowable uses of surplus - in excess of the 25% limit				
(G)	Cumulative surplus as of June 30, 2023	\$	1,877,381	
		25% limit (allowed)	\$ 1,934,408	
(H)	Cumulative Surplus REDUCTIONS			
	(H)1 Credited to member districts for tuition, services, etc.	\$	350,000	
	(H)2 Deposited to an established trust and/or reserve fund	\$	-	
	(H)3 Returned (check) to school districts/towns	\$	-	
	Total Reductions	\$	350,000	
FY23 Cumulative Surplus Percentage after Reductions			24.26%	

Bruce D. Norling, CPA, P.C.

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

To the Board of Directors
Southern Worcester County Educational Collaborative
Dudley, 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 Southern Worcester County 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, and have issued our report thereon dated November 17, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Collaborative's financial statements are free of 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 statements. 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.

Bruce D. Norling, CPA, P.C

Sudbury, Massachusetts
November 17, 2023