

Central Massachusetts Collaborative

Financial Statements

For the Year Ended June 30, 2021

Central Massachusetts Collaborative

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For the Year Ended June 30, 2021

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FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Massachusetts Collaborative
Worcester, Massachusetts

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, OPEB Plan – Required Supplementary Information, and pension schedules on pages 3-6 and 29-35 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 Central Massachusetts Collaborative's basic financial statements. The supplementary information on pages 37-39 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of Central Massachusetts 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 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 Central Massachusetts 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 Central Massachusetts Collaborative's internal control over financial reporting and compliance.



Fity O. Aguilera

Certified Public Accountants

Newburyport, Massachusetts

November 18, 2021

Central Massachusetts Collaborative
Management's Discussion and Analysis
(unaudited)
June 30, 2021

Our discussion and analysis of Central Massachusetts Collaborative's ("The Collaborative") financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2021 with summarized comparative information from the fiscal years ended June 30, 2020 and 2019. The Collaborative complies with the financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. Please read it in conjunction with the financial statements that begin on page 7.

Overview of Financial Statements

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

Government-wide Statements:

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

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

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

Fund Financial Statements:

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

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

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

Central Massachusetts Collaborative
Management's Discussion and Analysis
(unaudited)
June 30, 2021

Required Supplementary Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Supplementary Information:

Includes both additional financial information which provides more detailed support of the basis of the financial statements and information required by the Massachusetts Department of Elementary and Secondary Education.

Government-Wide Financial Highlights

Collaborative's Net Position:

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-----------------------------------|----------------------|---------------------|---------------------|
| Current Assets | \$ 5,957,091 | \$ 5,155,290 | \$ 3,832,455 |
| Property & Equipment, net | 55,566 | 33,001 | 59,792 |
| Deferred Outflows Related to OPEB | <u>6,564,569</u> | <u>3,715,772</u> | <u>2,710,053</u> |
| | <u>\$ 12,577,226</u> | <u>\$ 8,904,063</u> | <u>\$ 6,602,300</u> |

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

| | | | |
|---|-----------------------|-----------------------|-----------------------|
| Liabilities | | | |
| Current Liabilities | \$ 1,538,148 | \$ 1,669,584 | \$ 1,580,716 |
| Long Term Liabilities | <u>31,915,615</u> | <u>26,239,302</u> | <u>22,627,326</u> |
| Total Liabilities | <u>\$33,453,763</u> | <u>\$27,908,886</u> | <u>\$24,208,042</u> |
| Net Position | | | |
| Unrestricted | (\$20,932,905) | (\$19,037,824) | (\$ 17,665,534) |
| Restricted | 802 | - | - |
| Invested in capital assets, net of related debt | <u>55,566</u> | <u>33,001</u> | <u>59,792</u> |
| Total Net Position | <u>(\$20,876,537)</u> | <u>(\$19,004,823)</u> | <u>(\$17,605,742)</u> |

During the fiscal year ended June 30, 2021, the Collaborative realized a decrease in net position from operations, including depreciation on capital assets and other postemployment benefits expense, of approximately \$1,871,000. Current assets increased by approximately \$801,000 which is primarily a result of increase of net position from operations, excluding depreciation on capital assets and other postemployment benefits expense. Deferred outflows increased as a result of an actuarial study performed for OPEB and a corresponding increase in net OPEB liability was recognized.

During the fiscal year ended June 30, 2020, the Collaborative realized a decrease in net position from operations, including depreciation on capital assets and other postemployment benefits expense, of approximately \$1,399,000. Deferred outflows increased as a result of an actuarial study performed for OPEB and a corresponding increase in net OPEB liability was recognized.

Central Massachusetts Collaborative
Management's Discussion and Analysis
(unaudited)
June 30, 2021

SUMMARY OF ACTIVITIES

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|-----------------------|
| Revenues/Gains* | \$19,368,692 | \$19,602,769 | \$18,210,310 |
| Program Expenses/Losses* | 16,759,971 | 17,209,574 | 17,208,998 |
| Administrative Expenses/Losses* | <u>1,352,919</u> | <u>1,186,019</u> | <u>1,033,358</u> |
| Total Expense* | <u>18,112,890</u> | <u>18,395,593</u> | <u>18,242,356</u> |
| Change in net position, before increase in net retirement health benefit obligation | 1,255,802 | 1,207,176 | (32,046) |
| Increase in net retirement health benefit obligation | <u>(3,127,516)</u> | <u>(2,606,257)</u> | <u>(1,819,444)</u> |
| Change in net position | <u>(\$ 1,871,714)</u> | <u>(\$ 1,399,081)</u> | <u>(\$ 1,851,490)</u> |

* Excludes Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, credits to members, and other postemployment benefits funding and expense.

Revenues

In the fiscal year ended June 30, 2021, revenues relating to student services decreased by approximately \$222,000 (2%). The changes within fiscal years are due primarily due to the combination of decreases in tuition and enrollment.

In the fiscal year ended June 30, 2020, revenues relating to student services increased by approximately \$1,444,000 (8%). The changes within fiscal years are due primarily due to the combination of increases in tuition and enrollment.

Operating Expenses

In the fiscal year ended June 30, 2021, operating expenses, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, decreased by approximately \$283,000, or 2%, compared to the fiscal year ended June 30, 2020. The decrease in operating expenses was due primarily to decreases in payroll costs. Payroll costs decreased by approximately \$547,000 in the fiscal year ended June 30, 2021 as a result of reduction in staff due to COVID. The remaining decreases were spread throughout the various other expenses related to operations throughout the Collaborative.

In the fiscal year ended June 30, 2020, operating expenses, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, increased by approximately \$153,000, or 1%, compared to the fiscal year ended June 30, 2019. The increase in operating expenses was due primarily to increases in rental of property costs. Rental costs increased by approximately \$483,000 in the fiscal year ended June 30, 2020 as a result of the established rental agreements. There were decreases relating to payroll and other personnel related costs of approximately \$134,000 as a result of reduction in staff due to COVID as well as a decrease of approximately \$143,000 decrease in board approved use of surplus cash. The remaining decreases were spread throughout the various other expenses related to operations throughout the Collaborative.

Governmental Funds Financial Highlights

The Collaborative reported a total general fund balance of \$4,418,943, of which \$41,235 was nonspendable, \$802 was restricted, \$39,027 was assigned, and the remaining \$4,337,879 was unassigned. The fund balance increased \$933,237 over the prior fiscal year, primarily due to net operating surplus. Accounts receivable decreased by \$41,676, primarily due to the timing of invoicing and payments from districts. Cash increased by \$923,322 primarily as a result of net operations and the collection of accounts receivable. Prepaid expenses decreased by \$69,968.

Central Massachusetts Collaborative
Management's Discussion and Analysis
(unaudited)
June 30, 2021

CAPITAL ASSETS AND OTHER OBLIGATIONS

During the fiscal year ended June 30, 2021, the Collaborative purchased computers, servers, and other equipment for the Collaborative to use in the amount of \$37,921.

BUDGETARY HIGHLIGHTS

The Collaborative's annual budget for the fiscal year ended June 30, 2021 was approved by its Board of Directors on May 30, 2020 and amended by the Board of Directors on May 27, 2021. For the fiscal year ended June 30, 2021, the Collaborative received operating revenues, excluding on-behalf payments by the Massachusetts Teachers' and State Employees' Retirement Systems, of approximately \$19,500,000 compared to final budgeted revenues of approximately \$18,800,000. The difference between actual revenues received and budgeted revenues is primarily due to higher than expected revenues from services the organization provides due to higher than expected enrollments.

CONTACTING THE COLLABORATIVE

This financial report is designed to provide readers of the financial statement an overview of the Collaborative's financial activities. If you have questions regarding this report, contact Dr. Susan Farrell, 14 New Bond Street, Worcester, MA 01606, or at 508-854-1689.

Central Massachusetts Collaborative

Statement of Net Position

June 30, 2021

ASSETS

Current Assets

| | |
|---------------------------------|------------------|
| Cash and cash equivalents | \$ 4,789,329 |
| Accounts receivable, net | 1,060,074 |
| Due from health insurance trust | 66,453 |
| Prepaid expenses | 41,235 |
| Total Current Assets | 5,957,091 |

Non-current Assets

| | |
|---------------------------------|------------------|
| Capital assets | 234,180 |
| Accumulated depreciation | (178,614) |
| Total Non-current Assets | 55,566 |
| Total Assets | 6,012,657 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|----------------------|
| Deferred Outflows of Resources Related to OPEB | 6,564,568 |
| Total Assets and Deferred Outflows of Resources | \$ 12,577,225 |

LIABILITIES AND NET POSITION

Current Liabilities

| | |
|---------------------------------------|------------------|
| Warrants payable and accrued expenses | \$ 1,537,404 |
| Deferred revenue | 744 |
| Total Current Liabilities | 1,538,148 |

Non-current Liabilities:

| | |
|------------------------------------|-------------------|
| Net OPEB Liability | 31,915,615 |
| Total Long Term Liabilities | 31,915,615 |
| Total Liabilities | 33,453,763 |

Net Position

| | |
|----------------------------|---------------------|
| Invested in capital assets | 55,566 |
| Restricted - grants | 802 |
| Unrestricted | (20,932,906) |
| Total Net Position | (20,876,538) |

| | |
|---|----------------------|
| Total Liabilities and Net Position | \$ 12,577,225 |
|---|----------------------|

See accompanying notes to financial statements and independent auditor's report.

Central Massachusetts Collaborative
Statement of Activities
For the Year Ended June 30, 2021

| Functions/ Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| Student services | \$ 16,744,615 | \$ 18,805,551 | \$ 559,139 | \$ 2,620,075 |
| General and administrative | 1,352,919 | - | - | (1,352,919) |
| Intergovernmental revenue and expense | 4,863,516 | - | 4,863,516 | - |
| Other postemployment benefits | 3,127,517 | - | - | (3,127,517) |
| Depreciation | 15,356 | - | - | (15,356) |
| Total Governmental Activities | \$ 26,103,923 | \$ 18,805,551 | \$ 5,422,655 | (1,875,717) |
| General revenue: | | | | |
| Interest | | | | 3,307 |
| Miscellaneous | | | | 695 |
| Total General Revenue | | | | 4,002 |
| Change in Net Position | | | | (1,871,715) |
| Net Position, Beginning of Year | | | | (19,004,823) |
| Net Position, End of Year | | | | \$ (20,876,538) |

See accompanying notes to financial statements and independent auditor's report.

Central Massachusetts Collaborative

Balance Sheet

Governmental Funds

June 30, 2021

| | Total Governmental Funds |
|--|---|
| | <hr/> |
| ASSETS | |
| Cash and cash equivalents | \$ 4,789,329 |
| Accounts receivable, net | 1,060,074 |
| Due from health insurance trust | 66,453 |
| Prepaid expenses | 41,235 |
| | <hr/> |
| Total Assets | \$ 5,957,091 |
| | <hr/> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable and accrued liabilities | \$ 1,537,404 |
| Deferred revenue | 744 |
| | <hr/> |
| Total Liabilities | 1,538,148 |
| | <hr/> |
| Fund Balances: | |
| Nonspendable | 41,235 |
| Restricted | 802 |
| Assigned | 39,027 |
| Cumulative Surplus (Unassigned) | 4,337,879 |
| | <hr/> |
| Total Fund Balances | 4,418,943 |
| | <hr/> |
| Total Liabilities and Fund Balances | \$ 5,957,091 |
| | <hr/> |

See accompanying notes to financial statements and independent auditor's report.

Central Massachusetts Collaborative
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

| | |
|--|---------------------|
| Total fund balances, governmental funds | \$ 4,418,943 |
|--|---------------------|

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

| | |
|---|--------|
| Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | 55,566 |
|---|--------|

| | |
|---|---------------------|
| Other postemployment benefit (OPEB) liability and related deferred outflows are not a current obligation and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | <u>(25,351,047)</u> |
|---|---------------------|

| | |
|--|--------------------------------------|
| Net Position of Governmental Activities | <u><u>\$ (20,876,538)</u></u> |
|--|--------------------------------------|

Central Massachusetts Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

| | General Fund | Government Contracts | Total Governmental Funds |
|---|---------------------|---------------------------------|---|
| Revenues: | | | |
| Student services | \$ 18,805,551 | \$ 559,139 | \$ 19,364,690 |
| Intergovernmental revenue | 4,863,516 | - | 4,863,516 |
| Interest | 3,307 | - | 3,307 |
| Other | 695 | - | 695 |
| Total Revenues | 23,673,069 | 559,139 | 24,232,208 |
| Expenditures: | | | |
| Administration | 1,294,367 | 58,552 | 1,352,919 |
| Central MA Academy | 2,523,913 | - | 2,523,913 |
| Central MA Prep | 2,498,039 | - | 2,498,039 |
| Goddard Academy | 3,302,932 | - | 3,302,932 |
| Hartwell Learning Center | 2,113,118 | - | 2,113,118 |
| Recovery High School | 358,415 | 499,785 | 858,200 |
| Summer Program | 88,326 | - | 88,326 |
| THRIVE | 2,244,584 | - | 2,244,584 |
| Woodward Day School | 3,114,225 | - | 3,114,225 |
| Development expenses | 1,278 | - | 1,278 |
| Capital outlay, net of debt incurred | 37,921 | - | 37,921 |
| Intergovernmental expense | 4,863,516 | - | 4,863,516 |
| Total Expenditures | 22,440,634 | 558,337 | 22,998,971 |
| Revenues over expenditures | 1,232,435 | 802 | 1,233,237 |
| Other Financing Sources: | | | |
| Transfer to OPEB Trust | (300,000) | - | (300,000) |
| Net Other Financing Sources | (300,000) | - | (300,000) |
| Net Change in Fund Balances | 932,435 | 802 | 933,237 |
| Fund Balances, Beginning of Year | 3,485,706 | - | 3,485,706 |
| Fund Balances, End of Year | \$ 4,418,141 | \$ 802 | \$ 4,418,943 |

See accompanying notes to financial statements and independent auditor's report.

Central Massachusetts Collaborative
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

| | |
|---|------------|
| Net change in fund balances - total governmental funds | \$ 933,237 |
|---|------------|

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. Governmental funds do not report inflows from assets held to purchase capital assets because such assets are not considered current financial resources. In contrast, the Statement of Activities does report the inflows as revenue.

| | |
|--|----------|
| Capital outlay purchases, net of debt incurred | 37,921 |
| Depreciation | (15,356) |

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

| | |
|--|--------------------|
| Net change in other postemployment benefits (OPEB) accrual | <u>(2,827,517)</u> |
|--|--------------------|

| | |
|--|------------------------------|
| Change in net position of governmental activities | <u><u>\$ (1,871,715)</u></u> |
|--|------------------------------|

Central Massachusetts Collaborative
Statement of Fiduciary Net Position
Other Postemployment Benefits Trust
June 30, 2021

ASSETS

| | |
|----------------------|---------------------|
| Cash and investments | <u>\$ 1,130,036</u> |
|----------------------|---------------------|

| | |
|---------------------|----------------------------|
| Total Assets | <u><u>\$ 1,130,036</u></u> |
|---------------------|----------------------------|

LIABILITIES

| | |
|--|------------------|
| Due to Central Massachusetts Collaborative | <u>\$ 66,453</u> |
|--|------------------|

NET POSITION

| | |
|---|------------------|
| Restricted for postemployment health benefits | <u>1,063,583</u> |
|---|------------------|

| | |
|---|----------------------------|
| Total Liabilities and Net Position | <u><u>\$ 1,130,036</u></u> |
|---|----------------------------|

See accompanying notes to financial statements and independent auditor's report.

Central Massachusetts Collaborative
Statement of Changes in Fiduciary Net Position
Other Postemployment Benefits Trust
For the year ended June 30, 2021

Additions:

| | |
|---|--------------|
| Central Massachusetts Collaborative contributions | \$ 300,000 |
| Interest income | <u>1,775</u> |
| Total Additions | 301,775 |

Deductions:

| | |
|--|----------------------------|
| Administrative expenses | - |
| Benefits to retirees and beneficiaries | <u>36,610</u> |
| Total Deductions | <u>36,610</u> |
| | |
| Increase in Net Position | 265,165 |
| | |
| Net Position - Beginning of Year | <u>798,418</u> |
| | |
| Net Position - End of Year | <u><u>\$ 1,063,583</u></u> |

See accompanying notes to financial statements and independent auditor's report.

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE A - NATURE OF ORGANIZATION AND REPORTING ENTITY

Organization

The Central Massachusetts Collaborative (the Collaborative) was established in 1975 and operates under the provisions of Massachusetts general laws Chapter 40, Section 4E as amended by Chapter 797 of the acts of 1974. The Collaborative includes the City of Worcester and the Towns of Webster and Oxford, which are separate legal entities with their own governing bodies. Their operations are not a part of the Collaborative's financial statements.

Assessments: Under the terms of the Collaborative agreement, each member community should be annually assessed for administrative costs. Member Towns were assessed \$14,621,542 for fiscal year 2021 as approved by Board of Directors.

The Collaborative provides educational, clinical and therapeutic services to children in grades kindergarten through twelve for public school districts in central Massachusetts on a tuition basis or assessment fee basis to cover direct operation expenditures. The Board of Directors may also allow non-member communities to participate in specific programs on a cost reimbursement basis.

Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the Governmental Accounting Standards Board, the accompanying financial statements present the Central Massachusetts Collaborative and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Collaborative are significant. Pursuant to these criteria, the Collaborative did not identify any component units requiring inclusion in the accompanying financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Government-wide Statements

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

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Collaborative does allocate indirect expenses to functions in the Statement of Activities if there is a reasonable basis for doing so. Depreciation is reported as one amount, in total, on the Statement of Activities, and is not allocated among the respective functions.

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

Fund Financial Statements

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

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

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

Governmental Funds:

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

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

Capital reserve fund - used to account for and report financial resources that are restricted, committed, or assigned to be used for the acquisition, construction, or renovation of major capital facilities or equipment.

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

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 financial statements. Since by definition these assets are being held for the benefit of a third party (retirees) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

Budgets

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting as the General Fund.

Use of Estimates

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Accounts Receivable

Trade accounts receivable consist of amounts due from municipalities for program services, less an allowance for doubtful accounts, if needed. No allowance for doubtful accounts was deemed necessary as of June 30, 2021 based on management's assessment of the current status of individual receivables. It is the Collaborative's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Compensated Absences and Other Employee Benefit Amounts

The Collaborative allows eligible employees to carryover unused vacation time. The Collaborative's vacation accrual for the year ended June 30, 2021 was \$69,873.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the Collaborative's financial statements as expense when the related liabilities are incurred. There were no claims or judgments at year-end that require reporting in the financial statements.

Equity Classifications

Government-wide Statements

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

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

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

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

Fund Financial Statements

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

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

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

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

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

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

Allocation of Costs

Directly identifiable costs are charged to student services or general and administrative functions as applicable. Costs related to more than one function are allocated based on criteria intended to associate the cost with whichever function benefits.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and investments of Collaborative funds are restricted by state statutes. Massachusetts General Law authorizes the Collaborative to invest in term deposits, Certificates of Deposit, in trust companies, national banks, savings banks or in obligations issued by the U.S. Government or one of its agencies.

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE C – CASH AND CASH EQUIVALENTS – *continued*

The carrying amount of the Collaborative's deposits is separately displayed on the balance sheet as cash. The carrying amount represents reconciled book balances.

| June 30, 2021 | Carrying Amount | Bank Balance |
|---------------------------|------------------------|---------------------|
| Governmental Activities | \$4,789,329 | \$5,179,323 |
| Fiduciary-Type Activities | \$1,130,036 | \$1,130,036 |

Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 and deposits, including Certificates of Deposits in Massachusetts-chartered savings banks, are insured in full above the FDIC limit from the Depositors Insurance Fund (DIF) of Massachusetts. The Collaborative did not have any cash equivalents at June 30, 2021.

NOTE D - CAPITAL ASSETS

Capital assets consist of furniture and equipment purchased for Collaborative programs that cost \$5,000 or more. Property and equipment are recorded at cost, if purchased or at fair market value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--------------------------------|------------------------------|------------------|------------------|---------------------------|
| Furniture & Equipment | \$ 196,259 | \$ 37,921 | \$ - | \$ 234,180 |
| Less: accumulated depreciation | <u>163,258</u> | <u>15,356</u> | <u>-</u> | <u>178,614</u> |
| Capital assets, net | <u>\$ 33,001</u> | <u>\$ 22,565</u> | <u>\$ -</u> | <u>\$ 55,566</u> |

Depreciation expense for the year ended June 30, 2021 totaled \$15,356 and was not allocated to governmental functions. Depreciation expense appears unallocated on the statement of activities.

NOTE E - MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREE SYSTEMS

Plan Descriptions:

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

Benefits Provided:

MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE E – MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREE SYSTEMS
– continued

The MSERS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions:

Member contributions for MSERS vary depending on the most recent date of membership:

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

Educational collaboratives contribute amounts equal to the normal cost of employees’ benefits participating in MSERS at a rate established by the Public Employees’ Retirement Administration Commission (PERAC), currently 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. During fiscal year 2021, the Collaborative’s contributions on behalf of employees totaled \$159,239.

Member contributions for MTRS vary depending on the most recent date of membership:

| <u>Hire Date</u> | <u>% of Compensation</u> |
|--------------------------|---|
| Prior to 1975..... | 5% of regular compensation |
| 1975 - 1983..... | 7% of regular compensation |
| 1984 to 6/30/1996..... | 8% of regular compensation |
| 7/1/1996 to present..... | 9% of regular compensation |
| 7/1/2001 to present..... | 11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000) |
| 1979 to present..... | An additional 2% of regular compensation in excess of \$30,000 |

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE E – MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREE SYSTEMS
– continued

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

The nonemployer contributing entities’ share of the collective net pension liability that is associated with the Collaborative was measured as of June 30, 2020 and was \$8,390,222 and \$29,235,398 under MSERS and MTRS, respectively. In fiscal 2021, the Collaborative recognized revenue and related expense of \$1,252,526 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2021, the Collaborative recognized revenue and related expense of \$3,610,990 (under GASB Statement No. 68), for its portion of the collective pension expense under MTRS. These amounts are recorded as Intergovernmental revenue and expense in the financial statements.

NOTE F - LEASE DISCLOSURES

The Collaborative rents classroom and office space as a tenant-at-will from Worcester and surrounding communities on an annual basis. The Collaborative also rents classroom space via two non-cancelable operating leases. The following summarizes rent by location.

| Location | Rental Space | Annual Rent |
|--------------------------------|---------------------------|--------------------|
| Worcester - 14 New Bond Street | School Building & Offices | \$2,138,420 |
| Worcester - 20 Rockdale Street | School Building | \$514,400 |
| Worcester - 121 Higgins Street | School Building | \$627,812 |
| Worcester - 11 McKeon Road | School Building | \$14,188 |
| Worcester -190 Fremont Street | School Building | \$86,400 |

Rent expense, which is allocated to the respective programs, totaled \$3,381,220 for the fiscal year ended June 30, 2021.

During fiscal year 2021, the Collaborative was obligated by three triple net lease agreements for classroom and office space. The lease terms expire on 12/31/21, 7/31/25, and 8/31/27, respectively. The leases require the Collaborative to pay the property taxes, utilities and insurance premiums related to the rental space. Future minimum lease payments for the three buildings are as follows:

| Fiscal year end | Amount |
|------------------------|---------------------|
| June 30, 2022 | \$ 3,410,109 |
| June 30, 2023 | 3,449,072 |
| June 30, 2024 | 3,533,618 |
| June 30, 2025 | 3,620,627 |
| June 30, 2026 | 3,276,130 |
| June 30, 2027-2029 | <u>4,580,252</u> |
| | <u>\$21,869,808</u> |

In addition, the Collaborative leases copy equipment and vehicles. Future minimum lease payments, by year and in the aggregate, under non-cancelable operating equipment leases with initial or remaining terms of one year or more consisted of the following at June 30, 2021:

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE F - LEASE DISCLOSURES – *continued*

| Fiscal year end | Amount |
|------------------------------|------------------|
| June 30, 2022 | \$ 92,082 |
| June 30, 2023 | 87,402 |
| June 30, 2024 | <u>37,512</u> |
| Total Minimum Lease Payments | <u>\$216,996</u> |

Rent expense for copy equipment and vehicle operating leases for fiscal 2021 totaled \$94,691.

NOTE G - RISK MANAGEMENT

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

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

NOTE H - COMMITMENTS AND CONTINGENCIES

The Collaborative has one three-year employment contract with an employee. This contract expires on or before June 30, 2022 and does not include clauses requiring severance pay.

From time to time, the Collaborative may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Collaborative's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Collaborative's financial position or results of operations.

The Collaborative has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances if any, would be immaterial.

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN

Description

The Collaborative's defined benefit OPEB plan, Central Massachusetts Collaborative Retirees' Health Insurance Trust Fund ("the Plan"), provides OPEB to eligible employees who retire from CMC who are participants in either MSERS or MTRS. The Plan is a single-employer defined benefit OPEB plan administered by the CMC Board of Directors. The Plan does not issue a publicly available financial report. The Collaborative will pay 99% of health care benefits for retirees and their spouses who retired prior to 1991. For those who retired subsequent to that date, the Collaborative will pay 75% of health care benefits. The Plan assets are held in an irrevocable trust. Beginning in fiscal year 2014, the Collaborative eliminated reimbursements for Medicare Part B premiums for Medicare eligible retirees.

An employee shall become eligible to retire under these programs upon meeting the following conditions:

- i. Completion of 10 years of creditable service at the Collaborative and attainment of age 60 as an active member or
- ii. Completion of 20 years of creditable service at the Collaborative with no minimum age requirement.

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – *continued*

Funding Policy

The Collaborative required contributions are based on projected pay-as-you-go financing. Employees are not required to contribute to the plan. The cost of administering the plan is paid by the Collaborative. The Collaborative provided required contributions of \$36,610 in fiscal year 2021 toward the annual Other Post-Employment Benefit (OPEB) cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions. In addition, the irrevocable trust earned \$1,775 in interest.

Investment Policy

The Collaborative does not have a formal investment policy. The long-term rate of return on assets used in the actuarial calculation is 2.09%.

Actuarially Determined Contribution (ADC)

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

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – *continued*

| Actuarially Determined Contribution - Deficiency / (Excess) | | June 30, 2021 |
|--|--|----------------------|
| I. | Service Cost with Interest | \$1,959,188 |
| II. | 30-year level dollar amortization of NOL | 1,182,681 |
| III. | Actuarial Determined Contribution [I. + II.] | 3,141,869 |
| IV. | Contributions in relation to the actuarially determined contribution | - |
| V. | Contribution deficiency / (excess) [III. + IV.] | <u>\$3,141,869</u> |
| Covered employee payroll | | \$10,669,967 |
| Contribution as a % of covered employee payroll | | 29.45% |
| Discount Rate | | 2.09% |
| Money Weighted Rate of Return | | 2.09% |

OPEB Liability and OPEB Expense

| Fiscal Year Ended June 30, 2021 | | |
|---|---|---------------------|
| | Collaborative Employees and Retirees | Total |
| I. Total OPEB Liability as of June 30, 2021 | \$32,979,198 | \$32,979,198 |
| II. Fiduciary Net Position as of June 30, 2021 | <u>1,063,583</u> | <u>1,063,583</u> |
| III. Net OPEB Liability (Asset) as of June 30, 2021 [I.-II.] | 31,915,615 | 31,915,615 |
| IV. Service Cost | 1,959,188 | 1,959,188 |
| V. Interest on Net OPEB Liability (Asset), Service Cost, and Benefit Payments | 564,582 | 564,582 |
| VI. Projected Earnings on OPEB Plan Investments | (1,775) | (1,775) |
| VII. Net Recognition of Deferred (Inflows)/Outflows | <u>617,335</u> | <u>617,335</u> |
| VIII. Financial Statement Expense [IV.+V.+VI.+VII.] | 3,139,330 | 3,139,330 |
| IX. Employer Share of Costs | 36,610 | 36,610 |
| X. Employer (Payments) Withdrawals to/from OPEB Trust | (48,423) | (48,423) |
| XI. Total Employer Contribution [IX.+X.] | <u>-</u> | <u>-</u> |
| XII. Net OPEB Expense [VIII.+XI.] | <u>\$ 3,127,517</u> | <u>\$ 3,127,517</u> |

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – *continued*

Effect of 1% Change in Healthcare Trend

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Total OPEB Liability as of the June 30, 2021 Measurement Date would increase to \$47,949,645 and Net OPEB Liability would increase to \$46,819,609. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Total OPEB Liability would decrease to \$23,070,949 and the Net OPEB Liability would decrease to \$21,940,913.

Effect of 1% Change in Discount Rates

As of the June 30, 2021 Measurement Date, if the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$23,912,318 and the Net OPEB Liability would decrease to \$22,782,282. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$46,462,233 and the Net OPEB Liability would increase to \$45,332,197.

Actuarial Methods and Assumptions

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

| | |
|--------------------------------|---|
| Actuarial Cost Method: | Entry Age Normal as a Level Percentage of Payroll |
| Discount Rate: | 2.09% per annum (previously 2.44%) |
| General Inflation Assumption: | 8.00% per annum |
| Annual Compensation Increases: | 3.00% per annum |
| Actuarial Value of Assets: | Market Value |

Recognition of OPEB Trust Assets

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

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – *continued*

| Changes in Net OPEB Liability | | | |
|--|--|---|--------------------------------------|
| | Increase (Decrease) | | |
| | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
| I. Balances at June 30, 2020 | \$ 27,037,720 | \$ 798,418 | \$ 26,239,302 |
| II. Prior Period Adjustment | - | - | - |
| III. Balances for June 30, 2020 with Adjustment [I.+II.] | 27,037,720 | 798,418 | 26,239,302 |
| Changes for the year: | | | |
| IV. Service Cost | 1,959,188 | - | 1,959,188 |
| V. Interest on Total OPEB Liability, Service Cost, and Benefit Payments | 564,582 | - | 564,582 |
| VI. Changes in Benefit Terms* | - | - | - |
| VII. Changes in assumptions** | 3,466,131 | - | 3,466,131 |
| VIII. Differences between actual and expected experience** | - | - | - |
| IX. Net Investment Income | - | 1,775 | (1,775) |
| X. Employer Contributions (Withdrawals) to/from Trust | - | 300,000 | (300,000) |
| XI. Benefit payments withdrawn from Trust | - | (36,610) | 36,610 |
| XII. Projected Benefit payments excluding Implicit Cost | (48,423) | - | (48,423) |
| XIII. Implicit Cost Amount | - | - | - |
| XIV. Total Benefit payments including Implicit Cost [XII.+XIII.] | (48,423) | - | (48,423) |
| XV. Administrative and Other Charges | - | - | - |
| XVI. Other Charges | - | - | - |
| XVII. Net Changes | | | |
| [IV.+V.+VI.+VII.+VIII.+IX.+X.+XI.+XIV.+XV.+XVI.] | \$ 5,941,478 | \$ 265,165 | 5,676,313 |
| XVI. Balances at June 30, 2021 [III.+XVII.] | \$ 32,979,198 | \$ 1,063,583 | \$ 31,915,615 |

* Recognized immediately

** Amortized over 13 years

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

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

Central Massachusetts Collaborative
Notes to Financial Statements
June 30, 2021

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – *continued*

Deferred Inflows/Outflows

| Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of the effects of changes in assumption | | | | | | | | | | |
|---|---|---|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------------|
| Fiscal | Differences between actual & expected experience | Recognition Period (years) | Remaining Balance | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and Thereafter |
| 2019 | 2,956,422 | 12.00 | 2,217,316 | 246,369 | 246,369 | 246,369 | 246,369 | 246,369 | 246,369 | 985,471 |
| 2020 | 1,356,429 | 13.00 | 1,147,747 | 104,341 | 104,341 | 104,341 | 104,341 | 104,341 | 104,341 | 626,042 |
| 2021 | 3,466,131 | 13.00 | <u>3,199,505</u> | <u>266,625</u> | <u>266,625</u> | <u>266,625</u> | <u>266,625</u> | <u>266,625</u> | <u>266,625</u> | <u>1,866,380</u> |
| Total Remaining Balance | | | 6,564,568 | | | | | | | |
| Net increase (decrease) in OPEB Expense | | | | 617,335 | 617,335 | 617,335 | 617,335 | 617,335 | 617,335 | 3,477,893 |

NOTE J - SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through November 18, 2021, which is the date the financial statements were available to be issued.

Central Massachusetts Collaborative

Required Supplementary Information

June 30, 2021

Central Massachusetts Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
of the General Fund - Budget to Actual
For the Year Ended June 30, 2021

| | Original Budget | Final Budget | General Fund Only Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|----------------------------|---------------------|-------------------------------------|---|
| Revenues: | | | | |
| Programs and Assessments | \$ 19,199,438 | \$ 19,199,438 | \$ 18,805,551 | \$ (393,887) |
| Interest (Unbudgeted) | - | - | 3,307 | 3,307 |
| Other revenue (Unbudgeted) | - | - | 695 | 695 |
| Total Revenues | <u>19,199,438</u> | <u>19,199,438</u> | <u>18,809,553</u> | <u>(389,885)</u> |
| Expenditures: | | | | |
| Operational: | | | | |
| Insurance - workers' comp and liability | 260,000 | 260,000 | 226,497 | 33,503 |
| Administrative expenses | 109,000 | 109,000 | 144,143 | (35,143) |
| Instructional expenses | 252,875 | 252,875 | 331,583 | (78,708) |
| Non-instructional expenses | 239,678 | 239,678 | 336,000 | (96,322) |
| Occupancy | 4,797,483 | 4,797,483 | 4,533,221 | 264,262 |
| Transportation | 41,000 | 41,000 | 40,482 | 518 |
| Total Operational expenditures | <u>5,700,036</u> | <u>5,700,036</u> | <u>5,611,926</u> | <u>88,110</u> |
| Personnel: | | | | |
| Wages and salaries | 11,482,672 | 11,482,672 | 10,156,037 | 1,326,635 |
| Employee benefits and taxes | 2,016,730 | 2,016,730 | 1,809,155 | 207,575 |
| Total salaries and benefits | <u>13,499,402</u> | <u>13,499,402</u> | <u>11,965,192</u> | <u>1,534,210</u> |
| Total Expenditures | <u>19,199,438</u> | <u>19,199,438</u> | <u>17,577,118</u> | <u>1,622,320</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>1,232,435</u> | <u>1,232,435</u> |
| Other Financing Sources: | | | | |
| Transfer to OPEB Trust | - | 300,000 | 300,000 | - |
| Total Financing Sources | <u>-</u> | <u>300,000</u> | <u>300,000</u> | <u>-</u> |
| Net Excess (Deficiency) of Revenues over (Under) Expenditures | <u>\$ -</u> | <u>\$ (300,000)</u> | <u>\$ 932,435</u> | <u>\$ 1,232,435</u> |

Note: The schedule above is presented on the same basis used by the Collaborative to present its internal budget to actual comparison and account groupings are not necessarily consistent with the Statement of Revenue, Expenditures and Changes in Fund Balances presented on page 11. Specifically, Intergovernmental revenue and expense are excluded from this schedule.

Central Massachusetts Collaborative
OPEB Plan - Required Supplementary Information
June 30, 2021

| Year | Actuarial 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, 2020 | \$ 2,833,809 | \$ - | \$ 2,833,809 | \$ 10,669,967 | 26.56% |
| June 30, 2021 | \$ 3,141,869 | \$ - | \$ 3,141,869 | \$ 10,669,967 | 29.45% |

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.

Central Massachusetts Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2021 Measurement Date

| Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios | | | |
|---|----------------------|----------------------|----------------------|
| Valuation Date | July 1, 2019 | July 1, 2019 | July 1, 2018 |
| For the Reporting Period & Fiscal Year ending on: | June 30, 2021 | June 30, 2020 | June 30, 2019 |
| Total OPEB Liability | 32,979,197 | 27,037,720 | 23,449,164 |
| I. Service Cost | 1,959,188 | 1,700,327 | 900,625 |
| II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments | 564,582 | 571,674 | 678,639 |
| III. Changes in Benefit terms | - | - | - |
| IV. Difference between Expected & Actual Plan Experience | - | - | - |
| V. Changes of Assumption | 3,466,131 | 1,356,429 | 2,956,422 |
| VI. Benefit Payments Excluding Implicit Cost | (48,423) | (39,874) | (43,339) |
| VII. Implicit Cost Amount | - | - | - |
| VIII. Total Benefit payments including Implicit Cost [VI.+VII.] | (48,423) | (39,874) | (43,339) |
| IX. Net Change in OPEB liability [I.+II.+III.+IV.+V.+VIII.] | 5,941,478 | 3,588,556 | 4,492,347 |
| X. Total OPEB liability - beginning of period | 27,037,720 | 23,449,164 | 18,956,817 |
| XI. Prior Period Adjustment for Retirees not Previously Reflected | - | - | - |
| XII. Total OPEB Liability - end of period [IX.+X.+XI.] | 32,979,198 | 27,037,720 | 23,449,164 |
| Plan Fiduciary Net Position | | | |
| XIII. Earnings from Plan Investments | 1,775 | 16,454 | 6,189 |
| XIV. Employer Contribution to trust | 300,000 | - | - |
| XV. Benefit payments from trust, including refunds of member contributions | (36,610) | (39,874) | (43,339) |
| XVI. Administrative expense | - | - | - |
| XVII. Other | - | - | (95,087) |
| XVIII. Net change in plan fiduciary net position [XIII.+XIV.+XV.+XVI.+XVII.] | 265,165 | (23,420) | (132,237) |
| XIX. Plan fiduciary net position - beginning of period | 798,418 | 821,838 | 954,075 |
| XX. Plan fiduciary net position - end of period [XVIII.+XIX.] | 1,063,583 | 798,418 | 821,838 |
| XXI. Net OPEB Liability [XII.-XX.] | 31,915,615 | 26,239,302 | 22,627,326 |
| XXII. Plan fiduciary net position as a % of total OPEB liability [XX./XII.] | 3.23% | 2.95% | 3.50% |
| XXIII. Covered employee payroll | 10,669,967 | 10,669,967 | 10,434,305 |
| XXIV. Plan NOL as % of covered employee payroll [XXI./XXIII] | 299.12% | 245.92% | 216.86% |
| Single Discount Rate to calculate Plan Liabilities | 2.09% | 2.44% | 3.10% |

Schedule Presentation

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

See independent auditor's report.

Central Massachusetts Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2021 Measurement Date

Notes to Required Supplementary Information:

| | |
|-------------------------|---|
| Valuation Date: | July 1, 2019. |
| Actuarial Cost Method: | Entry Age Normal as a Level Percentage of Payroll |
| Asset-Valuation Method: | Market Value of Assets as of the Measurement Date, June 30, 2021. |

Actuarial Assumptions:

| | |
|----------------------------------|--|
| Investment Rate of Return: | 2.09%, net of OPEB plan investment expense, including inflation. |
| Municipal Bond Rate: | 2.18% as of June 30, 2021 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG) |
| Single Equivalent Discount Rate: | 2.09%, net of OPEB plan investment expense, including inflation. |
| Inflation: | 8.00% as of June 30, 2021 and for future periods |
| Salary Increases: | 3.00% annually as of June 30, 2021 and for future periods |
| Cost of Living Adjustment: | Not Applicable |
| Mortality: | Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount - Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019. |

Central Massachusetts Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2021 Measurement Date

Notes to Required Supplementary Information (Continued):

Actuarial Assumptions:

Plan Membership

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

| | |
|---|------------|
| Inactive employees or beneficiaries currently receiving benefits: | 6 |
| Active Employees: | <u>212</u> |
| Total: | <u>218</u> |

Events Subsequent to the Measurement Date

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

Changes in Assumptions: From June 30, 2020 to June 30, 2021:

- Discount rate is 2.09% previously 2.44%

Contributions:

The Collaborative required contributions are based on projected pay-as-you-go financing. Employees are not required to contribute to the plan. The cost of administering the plan is paid by the Collaborative. The Collaborative provided required contributions of \$36,610 in fiscal year 2021 toward the annual Other Post-Employment Benefit (OPEB) cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions. In addition, the irrevocable trust earned \$1,775 in interest, and the Board of Directors voted to transfer an additional \$300,000 into the trust during fiscal year 2021.

Central Massachusetts Collaborative
Schedule of the Collaborative's Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2021

| | | <u>MTRS</u> | <u>MSERS</u> |
|--|-----------|--------------------|---------------------|
| Collaborative's proportion of net pension liability | 6/30/2015 | 0.11340% | 0.03830% |
| | 6/30/2016 | 0.11490% | 0.03890% |
| | 6/30/2017 | 0.12220% | 0.04450% |
| | 6/30/2018 | 0.10896% | 0.05330% |
| | 6/30/2019 | 0.10779% | 0.05465% |
| | 6/30/2020 | 0.10242% | 0.04890% |
| Collaborative's proportionate share of net pension liability | 6/30/2015 | \$ 23,242,456 | \$ 4,360,172 |
| | 6/30/2016 | \$ 25,688,426 | \$ 5,357,234 |
| | 6/30/2017 | \$ 27,959,293 | \$ 5,701,733 |
| | 6/30/2018 | \$ 25,834,643 | \$ 7,051,316 |
| | 6/30/2019 | \$ 27,177,790 | \$ 7,998,046 |
| | 6/30/2020 | \$ 29,235,398 | \$ 8,390,222 |
| Collaborative's covered-employee payroll | 6/30/2015 | \$ 7,217,470 | \$ 2,193,215 |
| | 6/30/2016 | \$ 7,568,124 | \$ 2,164,018 |
| | 6/30/2017 | \$ 8,328,510 | \$ 2,478,679 |
| | 6/30/2018 | \$ 7,686,179 | \$ 3,437,494 |
| | 6/30/2019 | \$ 7,862,585 | \$ 3,258,041 |
| | 6/30/2020 | \$ 7,762,434 | \$ 2,997,720 |
| Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll | 6/30/2015 | 322.03% | 198.80% |
| | 6/30/2016 | 339.43% | 247.56% |
| | 6/30/2017 | 335.71% | 230.03% |
| | 6/30/2018 | 336.12% | 205.13% |
| | 6/30/2019 | 345.66% | 245.49% |
| | 6/30/2020 | 376.63% | 279.89% |
| Plan fiduciary net position as a percentage of the total pension liability | 6/30/2015 | 55.38% | 67.87% |
| | 6/30/2016 | 52.73% | 63.48% |
| | 6/30/2017 | 54.25% | 67.21% |
| | 6/30/2018 | 54.84% | 67.91% |
| | 6/30/2019 | 53.95% | 66.28% |
| | 6/30/2020 | 50.67% | 62.48% |

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note E to financial statements

Measurement Date

The amounts presented in this schedule were determined as of the dates listed above.

Schedule Presentation

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

See independent auditor's report.

Central Massachusetts Collaborative
Schedule of Pension Contributions
For the Year Ended June 30, 2021

| | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>MTRS</u> | | | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Collaborative's covered-employee payroll | \$7,217,470 | \$7,568,124 | \$8,328,510 | \$7,686,179 | \$7,862,585 | \$7,762,434 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

| | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>MSERS</u> | | | | | | |
| Contractually required contribution | \$ 122,815 | \$ 121,185 | \$ 138,806 | \$ 192,500 | \$ 190,120 | \$ 179,100 |
| Contributions in relation to the contractually required contribution | \$ 122,815 | \$ 121,185 | \$ 138,806 | \$ 192,500 | \$ 190,120 | \$ 179,100 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Collaborative's covered-employee payroll | \$2,193,215 | \$2,164,018 | \$2,478,679 | \$3,437,494 | \$3,116,721 | \$2,936,066 |
| Contributions as a percentage of covered-employee payroll | 5.60% | 5.60% | 5.60% | 5.60% | 6.10% | 6.10% |

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note E to financial statements

Measurement Date

The amounts presented in this schedule were determined as of the dates listed above.

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.

See independent auditor's report.

Central Massachusetts Collaborative

Other Supplementary Information

June 30, 2021

Central Massachusetts Collaborative
Information Required by MGL Chapter 40
For the Year Ended June 30, 2021

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

None

Transaction or contracts related to the purchase, sale, rental or lease of real property:

See Note F - Lease Disclosures

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

| <u>Name and Title</u> | <u>Total Compensation</u> |
|--|-------------------------------|
| S. Farrell, Executive Director | \$ 137,000 |
| B. Tefft, Director of Finance & Operations | \$ 120,000 |
| E. Marrone, Program Director | \$ 118,877 |
| A. O'Leary-Ortiz, Program Director | \$ 117,958 |
| M. Kelly, Program Director | \$ 116,640 |

Executive Director - Responsible for the overall supervision and administration of the Collaborative. Provides leadership in the development and operations of educational programs, budget development, resource allocation and all services offered to member districts. Implements all policies and procedures approved by the Board of Directors.

Director of Finance & Operations - Responsible for planning, organizing and directing the business and financial operations of the Collaborative.

Program Directors - Responsible for exercising vision and providing leadership that appropriately involves staff, parents, students and community partners to identify and accomplish the program's mission and goals.

The amounts expended on administration and overhead:

Administration and overhead 1,352,919

Any accounts held by the Collaborative that may be spent at the discretion of another person or entity:

None

Amounts expended on services for individuals aged 22 years and older:

None

Any other items as may be required by regulation:

None

Central Massachusetts Collaborative
Information Required by MGL Chapter 40 (Continued)
For the Year Ended June 30, 2021

Annual determination and disclosure of cumulative surplus:

| | | |
|--|--|---------------------------------------|
| Cumulative Surplus Calculation - FY21 | | Page(s) in Financial Statements |
| (A) Surplus as of June 30, 2020 | \$ 3,485,706 (A) | p. 11 |
| <i>(Breakdown of use of 2020 surplus)</i> | | |
| B(1) used to support the FY21 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 FY21 | <i>(total from B1:B4)</i> \$ - (B) | |
| (C) Unexpended FY21 General Funds | \$ 932,435 (C) | p. 11 |
| (D) Cumulative Surplus as of June 30, 2021 | (A) - (B) + (C) = (D) \$ 4,418,141 (D) | p. 11 |
| (E) FY21 Total General Fund Expenditures* | \$ 17,877,118 (E) | p. 11 |
| (F) Cumulative Surplus Percentage | (D) ÷ (E) 24.71% (F) | |

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

| | |
|---|---------------|
| (G) Cumulative surplus as of June 30, 2021 | \$ 4,418,141 |
| 25% limit (allowed) | \$ 4,469,280 |
| (H) Cumulative Surplus REDUCTIONS | |
| (H)1 Credited to member districts for tuition, services, etc. | \$ - |
| (H)2 Deposited to an established trust and/or reserve fund | \$ - |
| (H)3 Returned (check) to school districts/towns | \$ - |
| Total Reductions | \$ - |
| FY21 Cumulative Surplus Percentage after Reductions | 24.71% |

* Excludes Intergovernmental expense, includes transfer to capital reserve fund.

See independent auditor's report.

Central Massachusetts Collaborative
Schedule of Treasurer's Cash
June 30, 2021

COMPOSITION OF CASH AT YEAR END:

Governmental fund cash is comprised of:

| | | |
|---|----------------------|----------------------------|
| Bancorp Bank | Non-interest Bearing | \$ 3,971 |
| UniBank (6 Accounts) | Interest Bearing | 4,763,185 |
| Webster First Federal Credit Union (2 accounts) | Interest Bearing | <u>22,173</u> |
| Total governmental fund cash | | <u><u>\$ 4,789,329</u></u> |

Fiduciary fund cash is comprised of:

| | | |
|----------------------------|------------------|----------------------------|
| UniBank (1 account) | Interest Bearing | \$ 300,004 |
| Hometown Bank (3 accounts) | Interest Bearing | <u>830,032</u> |
| Total fiduciary fund cash | | <u><u>\$ 1,130,036</u></u> |

See independent auditor's report.



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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

To the Board of Directors of
Central Massachusetts Collaborative
Worcester, 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 Central Massachusetts Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Central Massachusetts Collaborative's basic financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Massachusetts Collaborative's internal control over financial reporting (internal control) as a basis for designing 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 Central Massachusetts Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Massachusetts Collaborative's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Massachusetts 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 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Newburyport, Massachusetts

November 18, 2021

Central Massachusetts Collaborative

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Dr. Susan Farrell, Executive Director
Beverly Tefft, Finance Director
www.cmasscollaborative.org

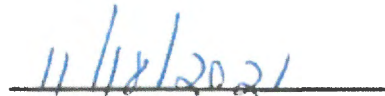
ACCEPTANCE OF THE BOARD OF DIRECTORS

We, the Board of Directors of the Central Massachusetts Collaborative, have voted to accept the presentations of management and the expression of the opinions made by Fritz DeGuglielmo LLC as embodied in the financial statements, supplemental schedules and independent auditor's reports for the year ended June 30, 2021.

We also certify that the representations made by management and disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and under Commonwealth of Massachusetts laws for the year ended June 30, 2021.



Maureen Binienda
Superintendent of Schools, Worcester Public Schools
Chair, Board of Directors



Date