



**SOUTH COAST EDUCATIONAL COLLABORATIVE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2024**

**(With Independent Auditors' Report Thereon)**

# SOUTH COAST EDUCATIONAL COLLABORATIVE

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
South Coast Educational Collaborative

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Coast Educational Collaborative (“Collaborative”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the South Coast Educational Collaborative’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Coast Educational Collaborative, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Coast Educational 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 South Coast Educational Collaborative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Coast Educational 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 South Coast Educational Collaborative's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024, on our consideration of the South Coast Educational Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Coast Educational 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 South Coast Educational Collaborative's internal control over financial reporting and compliance.

*Marcum LLP*

Boston, MA  
December 11, 2024

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## ***Management's Discussion and Analysis***



# South Coast Educational Collaborative

## Management's Discussion and Analysis

### Year Ended June 30, 2024

As management of the South Coast Educational Collaborative (the "Collaborative"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2024. The Collaborative complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

#### ***Overview of the Financial Statements***

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by tuition charges for services and intergovernmental revenues (*governmental activities*). The governmental activities include administration, instruction and other student services, unallocated depreciation, interest, and state funded pension benefits.

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

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

## South Coast Educational Collaborative

### Management's Discussion and Analysis

Year Ended June 30, 2024

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

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

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

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

#### ***Government-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3.0 million at the close of 2024 mainly due to the recording of a net liability for other postemployment benefits (OPEB) in the amount of \$8.9 million.

## South Coast Educational Collaborative

### Management's Discussion and Analysis

**Year Ended June 30, 2024**

Key components of the Collaborative's governmental financial position are listed below.

	2024	2023
<b>Assets:</b>		
Current assets.....	\$ 7,643,020	\$ 8,029,065
Capital assets, non depreciable.....	912,375	504,975
Capital assets, net of accumulated depreciation..	3,048,374	1,842,511
<b>Total assets.....</b>	<b>11,603,769</b>	<b>10,376,551</b>
<b>Deferred outflows of resources.....</b>	<b>2,976,722</b>	<b>3,907,623</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,738,607	1,575,523
Noncurrent liabilities (excluding debt).....	9,179,203	9,029,320
Current debt.....	618,254	297,648
Noncurrent debt.....	407,735	330,563
<b>Total liabilities.....</b>	<b>11,943,799</b>	<b>11,233,054</b>
<b>Deferred inflows of resources.....</b>	<b>5,621,819</b>	<b>6,664,236</b>
<b>Net position:</b>		
Net investment in capital assets.....	2,934,760	1,719,275
Unrestricted.....	(5,919,887)	(5,332,391)
<b>Total net position.....</b>	<b>\$ (2,985,127)</b>	<b>\$ (3,613,116)</b>

Net position of \$2.9 million reflects the Collaborative's net investment in capital assets (e.g., land, buildings and improvements, right to use buildings, leasehold improvements, and vehicles); less any related debt used to acquire those assets that is still outstanding. The Collaborative uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position resulted in a \$5.9 million deficit mainly relating to the effect of recording net other postemployment benefit liabilities through June 30, 2024, as previously mentioned.

## South Coast Educational Collaborative

### Management's Discussion and Analysis

**Year Ended June 30, 2024**

The governmental activities of the Collaborative are summarized below.

The Collaborative's net position increased \$630,000 in 2024 as compared to a decrease of \$510,000 in 2023. Overall, there was an increase of \$1.8 million in revenue, and \$615,000 increase in expenses, exclusive of the recognition of on-behalf payments for state funded pension benefits included in both expenses and operating grants and contributions. Offsetting the larger increase to revenue was a recognized \$346,000 loss from the termination of a lease agreement. The loss was attributable to the net book value on the related right-to-use leased asset being higher than the lease liability derecognized in the current year. See the capital asset and debt administration section for further information.

	2024	2023
<b>Program Revenues:</b>		
Charges for services..... \$	4,565,299	\$ 4,544,870
Operating grants and contributions.....	4,167,998	3,144,094
<b>General Revenues:</b>		
Tuition.....	19,772,725	17,785,842
Unrestricted investment income.....	201,991	165,588
Loss on lease termination.....	(346,316)	-
<b>Total revenues.....</b>	<b>28,361,697</b>	<b>25,640,394</b>
<b>Expenses:</b>		
Administration.....	2,900,433	2,578,251
Instruction and other student services.....	20,238,548	20,160,833
Unallocated depreciation.....	710,486	536,682
Interest.....	60,527	18,546
State funded pension benefits.....	3,823,714	2,855,613
<b>Total expenses.....</b>	<b>27,733,708</b>	<b>26,149,925</b>
<b>Change in net position.....</b>	<b>627,989</b>	<b>(509,531)</b>
<b>Net position, beginning of year.....</b>	<b>(3,613,116)</b>	<b>(3,103,585)</b>
<b>Net position, end of year..... \$</b>	<b>(2,985,127)</b>	<b>(3,613,116)</b>

#### *Financial Analysis of the Governmental Funds*

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

## **South Coast Educational Collaborative**

### **Management's Discussion and Analysis**

#### **Year Ended June 30, 2024**

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

At the end of the current year, governmental funds reported an ending fund balance of \$6.0 million, of which \$5.9 million is related to the general fund and \$120,000 is related to the capital projects fund. The general fund balance increased by approximately \$366,000 while the capital projects fund decreased by approximately \$924,000.

The general fund is the Collaborative's chief operating fund. The increase in the general fund of \$366,000 primarily relates to positive budgetary operations. At year end, unassigned fund balance in the general fund totaled \$5.6 million and the nonspendable fund balance was \$267,000, which related to prepaid expenses.

In 2024, the Collaborative voted to use \$1,000,000 of funding from the capital projects fund to finance the purchase of a building. Therefore, \$1,000,000 was transferred from the capital projects fund to the general fund. Further appropriations totaling \$50,000 were voted to transfer funds from the general fund to the capital projects fund to finance future capital plans.

#### **General Fund Budgetary Highlights**

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

The original year 2024 approved budget for the general fund authorized \$24.0 million in appropriations. Subsequent to the original budget vote, the Collaborative voted supplemental appropriations totaling \$1.05 million. Of the supplemental appropriations, \$1.0 million was used for the purchase of a building, which was funded from available funds, \$25,000 was voted to reserve capital from surplus revenues, and \$25,000 was voted as additional funding for the Collaborative's OPEB Trust fund, from surplus revenues.

Actual revenues were greater than budgeted by \$426,000 and actual expenditures were more than budgeted by \$61,000.

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

The Collaborative has long-term debt related to financing capital purchases of vehicles in the amount of \$6,000 at year-end. Principal payments made during the year totaled \$59,000.

The Collaborative has entered into various lease agreements for classroom space at multiple locations under non-cancelable leases. The cost of the leases for the year ended June 30, 2024, totaled approximately \$879,000, which is reported as debt service principal and interest relating to leases. The cost and accumulated depreciation of these leased assets total approximately \$1.6 million and \$533,000,

## **South Coast Educational Collaborative**

### **Management's Discussion and Analysis**

#### **Year Ended June 30, 2024**

respectively. These leases consisted of various leases of building space, for classrooms, with lease periods beginning during 2024. The new leases entered into during the current year totaled \$1.6 million and were capitalized by the Collaborative as right-to-use leased buildings.

In 2024, the Collaborative purchased the Young Men's Christian Association (YMCA) building, which the Collaborative was previously occupying under a lease agreement. Upon the closing of the sale, the existing lease agreement was terminated. The remaining lease liability was derecognized, totaling \$324,380, and the related right-to-use leased building, with a net book value of \$670,696, was removed. The net value of the transaction totaling \$346,316 was recorded as a loss on lease termination in the Collaborative's statement of activities.

The Collaborative's net capital assets totaled \$4.0 million as of June 30, 2024. The Collaborative capitalized \$1.4 million of costs associated with the purchase of the YMCA building.

Depreciation expense in the amount of approximately \$710,000 was recorded in 2024.

Please refer to the Notes 4, 5 and 9 of the basic financial statements for further discussion of the capital asset and debt activity.

#### ***Requests for Information***

This financial report is designed to provide a general overview of the South Coast Educational Collaborative's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, South Coast Educational Collaborative, 2201 GAR Highway, Swansea, MA 02777.

## ***Basic Financial Statements***

# South Coast Educational Collaborative

## Statement of Net Position

**June 30, 2024**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT:</b>	
Cash and cash equivalents.....	\$ 6,549,770
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	31,745
Tuition due from member communities and others.....	794,061
Prepaid expenses.....	<u>267,444</u>
Total current assets.....	<u>7,643,020</u>
<b>NONCURRENT:</b>	
Capital assets, nondepreciable.....	912,375
Capital assets, net of accumulated depreciation.....	<u>3,048,374</u>
Total noncurrent assets.....	<u>3,960,749</u>
<b>TOTAL ASSETS.....</b>	<u><b>11,603,769</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to other postemployment benefits.....	<u>2,976,722</u>
<b>LIABILITIES</b>	
<b>CURRENT:</b>	
Warrants payable.....	587,464
Accrued payroll.....	746,201
Prepaid tuition.....	309,967
Lease obligations.....	612,071
Compensated absences.....	94,975
Long-Term debt.....	<u>6,183</u>
Total current liabilities.....	<u>2,356,861</u>
<b>NONCURRENT:</b>	
Lease obligations.....	407,735
Compensated absences.....	271,858
Net other postemployment benefits liability.....	<u>8,907,345</u>
Total noncurrent liabilities.....	<u>9,586,938</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>11,943,799</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to other postemployment benefits.....	<u>5,621,819</u>
<b>NET POSITION</b>	
Net investment in capital assets.....	2,934,760
Unrestricted.....	<u>(5,919,887)</u>
<b>TOTAL NET POSITION.....</b>	<u><b>\$ (2,985,127)</b></u>

*See notes to basic financial statements.*



**South Coast Educational Collaborative**

**Statement of Activities (Continued)**

**Year Ended June 30, 2024**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Administration.....	\$ 2,900,433	\$ -	\$ -	\$ (2,900,433)
Instruction and other student services.....	20,238,548	4,565,299	344,284	(15,328,965)
Interest.....	60,527	-	-	(60,527)
State funded pension benefits.....	3,823,714	-	3,823,714	-
Unallocated depreciation.....	710,486	-	-	(710,486)
<b>Total Governmental Activities.....</b>	<b>\$ 27,733,708</b>	<b>\$ 4,565,299</b>	<b>\$ 4,167,998</b>	<b>\$ (19,000,411)</b>

*See notes to basic financial statements.*

**South Coast Educational Collaborative**

**Statement of Activities (Concluded)**

**Year Ended June 30, 2024**

	<u>Governmental Activities</u>
<b>Changes in net position:</b>	
Net (expense) revenue from previous page.....	\$ <u>(19,000,411)</u>
<i>General revenues:</i>	
Tuition.....	19,772,725
Unrestricted investment income.....	201,991
Loss on lease termination.....	<u>(346,316)</u>
Total general revenues.....	<u>19,628,400</u>
Change in net position.....	627,989
<i>Net position:</i>	
Beginning of year.....	<u>(3,613,116)</u>
End of year.....	\$ <u>(2,985,127)</u>

*See notes to basic financial statements.*

**South Coast Educational Collaborative**

**Governmental Funds  
Balance Sheet**

**June 30, 2024**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 6,432,984	\$ 116,786	\$ 6,549,770
Receivables, net of uncollectibles:			
Departmental and other.....	31,745	-	31,745
Tuition due from member communities and others.....	794,061	-	794,061
Prepaid expenses.....	<u>267,444</u>	<u>-</u>	<u>267,444</u>
<b>TOTAL ASSETS.....</b>	<b>\$ <u>7,526,234</u></b>	<b>\$ <u>116,786</u></b>	<b>\$ <u>7,643,020</u></b>
<b>LIABILITIES</b>			
Warrants payable.....	\$ 587,464	\$ -	\$ 587,464
Accrued payroll.....	746,201	-	746,201
Prepaid tuition.....	<u>309,967</u>	<u>-</u>	<u>309,967</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>1,643,632</u></b>	<b><u>-</u></b>	<b><u>1,643,632</u></b>
<b>FUND BALANCES</b>			
Nonspendable.....	267,444	-	267,444
Restricted.....	-	116,786	116,786
Unassigned.....	<u>5,615,158</u>	<u>-</u>	<u>5,615,158</u>
<b>TOTAL FUND BALANCES.....</b>	<b><u>5,882,602</u></b>	<b><u>116,786</u></b>	<b><u>5,999,388</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ <u>7,526,234</u></b>	<b>\$ <u>116,786</u></b>	<b>\$ <u>7,643,020</u></b>

*See notes to basic financial statements.*

**South Coast Educational Collaborative**

**Reconciliation of the Governmental Funds Balance Sheet  
Total Fund Balances to the Statement of Net Position**

**June 30, 2024**

Total governmental fund balances.....		\$	5,999,388
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....			3,960,749
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not reported.....			(2,645,097)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Long-term debt.....	\$	(6,183)	
Net other postemployment benefits liability.....		(8,907,345)	
Lease obligations.....		(1,019,806)	
Compensated absences.....		<u>(366,833)</u>	
Net effect of reporting long-term liabilities.....			<u>(10,300,167)</u>
Net position of governmental activities.....		\$	<u>(2,985,127)</u>

*See notes to basic financial statements.*

**South Coast Educational Collaborative**

**Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances**

**Year Ended June 30, 2024**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES:</b>			
Direct service and administrative.....	\$ 24,682,308	\$ -	\$ 24,682,308
Intergovernmental - State provided pension benefits.....	3,823,714	-	3,823,714
Investment income.....	175,740	26,251	201,991
<b>TOTAL REVENUES.....</b>	<b>28,681,762</b>	<b>26,251</b>	<b>28,708,013</b>
<b>EXPENDITURES:</b>			
Current:			
Administration.....	2,886,897	-	2,886,897
Instruction and other student services.....	23,216,586	-	23,216,586
State funded pension benefits.....	3,823,714	-	3,823,714
Debt service:			
Principal.....	59,426	-	59,426
Interest.....	1,047	-	1,047
Principal - right to use leases.....	818,269	-	818,269
Interest - right to use leases.....	59,480	-	59,480
<b>TOTAL EXPENDITURES.....</b>	<b>30,865,419</b>	<b>-</b>	<b>30,865,419</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(2,183,657)</b>	<b>26,251</b>	<b>(2,157,406)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Lease financing.....	1,599,853	-	1,599,853
Transfers in.....	1,000,000	50,000	1,050,000
Transfers out.....	(50,000)	(1,000,000)	(1,050,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,549,853</b>	<b>(950,000)</b>	<b>1,599,853</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>366,196</b>	<b>(923,749)</b>	<b>(557,553)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>5,516,406</b>	<b>1,040,535</b>	<b>6,556,941</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 5,882,602</b>	<b>\$ 116,786</b>	<b>\$ 5,999,388</b>

*See notes to basic financial statements.*

**South Coast Educational Collaborative**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities**

**Year Ended June 30, 2024**

Net change in fund balances - total governmental funds.....	\$	(557,553)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	\$	2,994,445
Removal of right-to-use asset related to the derecognized lease.....		(670,696)
Depreciation expense.....		<u>(710,486)</u>
Net effect of reporting capital assets.....		1,613,263
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on leases.....		818,269
Derecognition of lease liability.....		324,380
Lease financing.....		(1,599,853)
Debt service principal payments.....		<u>59,426</u>
Net effect of reporting long-term debt.....		(397,778)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		13,067
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....		111,516
Net change in net other postemployment benefits liability.....		<u>(154,526)</u>
Net effect of recording long-term liabilities.....		<u>(29,943)</u>
Change in net position of governmental activities.....	\$	<u>627,989</u>

*See notes to basic financial statements.*

**South Coast Educational Collaborative**

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**June 30, 2024**

	<u>Other Postemployment Benefit Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents.....	\$ 2,618
Investments:	
Equity mutual funds.....	141,542
Fixed income mutual funds.....	<u>114,055</u>
<b>TOTAL ASSETS.....</b>	<u>258,215</u>
<b>NET POSITION</b>	
Restricted for other postemployment benefits.....	<u>\$ 258,215</u>

*See notes to basic financial statements.*

**South Coast Educational Collaborative**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2024**

	<u>Other Postemployment Benefit Trust Fund</u>
<b><u>ADDITIONS:</u></b>	
Contributions:	
Employer contributions.....	\$ 50,000
Employer contributions for other postemployment benefit payments.....	<u>123,240</u>
Total contributions.....	<u>173,240</u>
Net investment income:	
Investment income.....	<u>18,992</u>
TOTAL ADDITIONS.....	<u>192,232</u>
<b><u>DEDUCTIONS:</u></b>	
Other postemployment benefit payments.....	<u>123,240</u>
NET INCREASE (DECREASE) IN NET POSITION.....	68,992
NET POSITION AT BEGINNING OF YEAR.....	<u>189,223</u>
NET POSITION AT END OF YEAR.....	\$ <u>258,215</u>

*See notes to basic financial statements.*



# South Coast Educational Collaborative

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Coast Educational Collaborative (the “Collaborative”) was formed in 1974 as authorized by Chapter 40 Section 4E and Chapter 797 of the General Laws of the Commonwealth of Massachusetts, by member school districts from the Cities and Towns of Berkley, Dartmouth, Fall River, New Bedford, Seekonk, Somerset, Swansea, Taunton, Westport, and the regional school districts of Dighton-Rehoboth, Freetown-Lakeville, and Somerset-Berkley. The primary purpose of the Collaborative is to expand the quality of educational services that can be provided more effectively and efficiently by pooling the resources and students of several school districts. Since inception, the Collaborative has been able to substantially broaden the quantity and quality of programs and services available to students in surrounding school districts.

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

Governance of the Collaborative is vested in a 11-member Board of Directors (the “Board”) comprised of one superintendent or school committee member from each member school district as well as an appointee of the Commissioner of the Massachusetts DESE. The Board appoints an Executive Director who is the chief operating official for the Collaborative and who reports directly to the Board.

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

#### A. Reporting Entity

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

The primary government consists of all funds and departments which provide educational programs and services, which primarily serve the low-incidence special needs of children and adults (aged three through twenty-two). In addition, the Collaborative provides professional development programs and services that enhance education and leadership. The Collaborative is primarily supported through program tuitions and fees for related, clinical, and consultation services from contracting municipalities. The Collaborative Board of Directors and Executive Director are directly responsible for these activities.

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

Year Ended June 30, 2024

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### *Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

#### *Government-Wide Financial Statements*

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

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

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

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

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

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

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

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

The *capital projects fund*, is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

Year Ended June 30, 2024

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

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to account for other postemployment benefit (OPEB), which accumulate resources to provide funding for future OPEB liabilities.

### D. Cash and Investments

#### *Government-Wide and Fund Financial Statements*

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

### E. Fair Value Measurements

The Collaborative reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

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

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

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

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

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

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

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

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

##### ***Tuition and Other Receivables***

Tuition receivables consist of tuition payments due from member and non-member communities. Other receivables consist mainly of school lunch receipts due from the federal school lunch program.

#### G. Unearned Revenue

Unearned revenue consists of member district's prepayment of a portion of the following year's tuition. The revenue is not recognized as earned revenue until the year in which the services are provided to the District.

#### H. Capital Assets

##### *Government-Wide Financial Statements*

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

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

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

Year Ended June 30, 2024

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	10-50
Right to use - buildings.....	3
Leasehold improvements.....	5-15
Vehicles.....	3-5

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

### *Governmental Fund Financial Statements*

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

### I. Deferred Outflows/Inflows of Resources

#### *Government-Wide Financial Statements (Net Position)*

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Collaborative reported deferred inflows related to other postemployment benefits in this category.

### J. Interfund Receivables and Payables

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

## South Coast Educational Collaborative

### Notes to Basic Financial Statements

Year Ended June 30, 2024

#### *Fund Financial Statements*

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

#### *Government-Wide Financial Statements*

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

#### K. Interfund Transfers

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### L. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

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

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Sometimes the Collaborative will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Collaborative’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### *Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

### M. Long-Term Debt

#### *Government-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the effective interest method.



# South Coast Educational Collaborative

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### *Governmental Fund Financial Statements*

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

### N. Right to Use Lease Liability

#### *Government-Wide Financial Statements*

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

#### *Governmental Fund Financial Statements*

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

### O. Investment Income

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

### P. Pensions

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

### Q. Compensated Absences

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

## South Coast Educational Collaborative

### Notes to Basic Financial Statements

Year Ended June 30, 2024

#### *Government-Wide Financial Statements*

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

#### *Governmental Fund Financial Statements*

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

#### R. Use of Estimates

##### *Government-Wide and Fund Financial Statements*

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

#### S. Total Column

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### **NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of trust funds are held separately from those of other funds. Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

## South Coast Educational Collaborative

### Notes to Basic Financial Statements

#### Year Ended June 30, 2024

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

#### Custodial Credit Risk – Deposits

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

At year-end, the carrying amount of deposits totaled \$3,494,449 and the bank balance totaled \$3,705,008. Of the bank balance, \$250,000 was covered by Federal Depository Insurance, and \$3,455,008 was collateralized.

#### Investments

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

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

As of June 30, 2024, the Collaborative's other postemployment benefit trust fund had \$141,542 invested in equity mutual funds and \$114,055 invested in fixed income mutual funds. These investments are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

MMDT investments of \$3,057,939 are valued at amortized cost. MMDT, which is an external investment pool that is overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, "Certain External Investment Pools and Pool Participants", to report its investments at amortized cost; therefore, the Collaborative reports its investments in MMDT at amortized costs which approximates the net asset value of \$1.00 per share. MMDT has a maturity of less than 1 year and is not rated.

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Collaborative's formal investment policy for custodial credit risk states that the Business

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

Manage will engage only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

#### Interest Rate Risk

The Collaborative's formal investment policy allows for the Investment Manager to manage exposure to fair value losses arising from increasing interest rates by managing the duration in the account. The Collaborative participates in MMDT, which maintains a cash portfolio, and at June 30, 2024, MMDT's cash portfolio had a weighted average maturity of 43 days.

#### Credit Risk

The Collaborative's formal policy related to credit risk allows for the Investment Manager to purchase investment grade securities with a high concentration in securities rated A or better at the time of purchase. Lower-quality investment may only be held through diversified vehicles, such as mutual funds or exchange traded funds. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

#### Concentration of Credit Risk

The Collaborative's formal policy states that the Investment Manager will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value. At June 30, 2024, no more than 5% of the Collaborative's investments were invested in any one corporate issuer.

### NOTE 3 – RECEIVABLES

At June 30, 2024, receivables for the individual major and non-major governmental funds in the aggregate are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Departmental and other.....	\$ 31,745	\$ -	\$ 31,745
Tuition due from member communities and others.....	794,061	-	794,061
Total.....	\$ 825,806	\$ -	\$ 825,806

## South Coast Educational Collaborative

### Notes to Basic Financial Statements

**Year Ended June 30, 2024**

#### NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases and Transfers</u>	<u>Decreases and Transfers</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 504,975	\$ 407,400	\$ -	\$ 912,375
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	1,669,254	2,473,379 (A)	-	4,142,633
Right to use - buildings.....	1,006,044	1,599,853	(1,006,044)	1,599,853
Leasehold improvements.....	2,236,300	-	(1,486,187) (A)	750,113
Vehicles.....	749,929	-	-	749,929
Total capital assets being depreciated.....	<u>5,661,527</u>	<u>4,073,232</u>	<u>(2,492,231)</u>	<u>7,242,528</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(1,274,913)	(1,113,133) (A)	-	(2,388,046)
Right to use - buildings.....	(335,348)	(533,284)	335,348	(533,284)
Leasehold improvements.....	(1,532,643)	(30,579)	1,027,496 (A)	(535,726)
Vehicles.....	(676,112)	(60,986)	-	(737,098)
Total accumulated depreciation.....	<u>(3,819,016)</u>	<u>(1,737,982)</u>	<u>1,362,844</u>	<u>(4,194,154)</u>
Total capital assets being depreciated, net.....	<u>1,842,511</u>	<u>2,335,250</u>	<u>(1,129,387)</u>	<u>3,048,374</u>
Total governmental activities capital assets, net. \$	<u>2,347,486</u>	<u>2,742,650</u>	<u>(1,129,387)</u>	<u>3,960,749</u>

(A) In the current year, the Collaborative purchased a previously leased building. As part of this transaction, the net book value of leasehold improvements related to the leased building, amounting to \$458,691, was reclassified to the buildings category. This net book value consisted of \$1,486,187 in cost, and \$1,027,496 in accumulated depreciation. This reclassification is reflected in the capital asset table above as a deletion from leasehold improvements, and an addition to buildings.

Unallocated depreciation expense totaled \$710,486 for the year ended June 30, 2024. The increase to accumulated depreciation as shown in the table above includes \$1,027,496 as an addition to buildings accumulated depreciation, which is offset by the \$1,027,496 presented above as a decrease to leasehold improvements accumulated depreciation. This is the result of the transaction as noted above.

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### NOTE 5 – RIGHT TO USE LEASES

#### Classrooms

The Collaborative has entered into various lease agreements for classroom space at multiple locations under non-cancelable leases. The cost of the leases for the year ended June 30, 2024, totaled approximately \$877,749, which is reported as debt service principal and interest relating to leases. The cost and accumulated depreciation of these leased assets total approximately \$1.5 million and \$533,000, respectively.

These leases consisted of various classroom leases with lease periods beginning during 2024 through 2026. The new leases entered into during the current year totaled \$1,559,853 and were capitalized by the Collaborative as right-to-use leased buildings.

The future minimum lease payments for these right-to-use buildings are as follows:

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025.....	\$ 612,071	\$ 20,738	\$ 632,809
2026.....	<u>407,735</u>	<u>6,214</u>	<u>413,949</u>
Total.....	\$ <u>1,019,806</u>	\$ <u>26,952</u>	\$ <u>1,046,758</u>

#### Derecognition of Lease Liability

In 2024, the Collaborative purchased the Young Men’s Christian Association (YMCA) Building, which the Collaborative was previously occupying under a lease agreement. Upon the closing of the sale, the existing lease agreement was terminated. The remaining lease liability was derecognized, totaling \$324,380, and the related right-to-use leased building, with a net book value of \$670,696, was removed. The net value of the transaction totaling \$346,316 was recorded as a loss on lease termination in the Collaborative’s statement of activities.

The purchase price of the building was capitalized, and the remaining value of the cost and accumulated depreciation on related leasehold improvements were reclassified to buildings. See Note 6 for further information.

### NOTE 6– INTERFUND TRANSFERS

Interfund transfers of \$1,000,000 consists of a transfer from the Collaborative’s capital projects fund to the general fund to finance the purchase of a building for operations of the Collaborative’s Learning in Functional Environments Academy program. Transfers also consists of a \$50,000 transfer voted from the Collaborative’s surplus reserves to the capital projects fund to fund future capital planning.

**South Coast Educational Collaborative**

**Notes to Basic Financial Statements**

**Year Ended June 30, 2024**

**NOTE 7 – PREPAID TUITION**

Member communities are allowed to prepay a portion of the next year’s tuition. At June 30, 2024, the Collaborative had received approximately \$310,000 of prepaid tuition from member communities.

**NOTE 8 – LINE OF CREDIT**

The Collaborative has a \$1,000,000 line of credit. The obligation is secured by the Collaborative’s accounts receivable and fixtures and contains certain restricted covenants. Interest is payable at the National Prime Rate. For the year ended June 30, 2024, the Collaborative has not drawn down any amounts on this line of credit.

**NOTE 9 – LONG-TERM DEBT**

The Collaborative has agreed to finance the acquisition of various vehicles. As of June 30, 2024, the Collaborative had approximately \$6,183 of long-term debt related to these agreements outstanding as follows:

<u>Project</u>	<u>Maturities Through</u>	<u>Original Loan Amount</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2024</u>
Capital purchase financed 2020.....	2025	\$ 116,313	3.89%	\$ <u>6,183</u>

Principal and interest payments for the capital purchases financed in future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025.....	\$ <u>6,183</u>	\$ <u>39</u>	\$ <u>6,222</u>

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### Changes in Long-term Liabilities

During the year ended June 30, 2024, the following changes occurred in long-term liabilities:

	Beginning Balance	Loans Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Long-term debt.....\$	65,609	\$ (59,426)	\$ -	\$ -	\$ 6,183	\$ 6,183
Lease obligations.....	562,602	-	1,599,853	(1,142,649)	1,019,806	612,071
Compensated absences.....	379,900	-	90,332	(103,399)	366,833	94,975
Net other postemployment benefits.....	8,752,819	-	327,766	(173,240)	8,907,345	-
<b>Total long-term liabilities.....\$</b>	<b>9,760,930</b>	<b>\$ (59,426)</b>	<b>\$ 2,017,951</b>	<b>\$ (1,419,288)</b>	<b>\$ 10,300,167</b>	<b>\$ 713,229</b>

#### **NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

- **Restricted**: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed**: fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.
- **Assigned**: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned**: fund balance of the general fund that is not constrained for any particular purpose.



## South Coast Educational Collaborative

### Notes to Basic Financial Statements

**Year Ended June 30, 2024**

As of June 30, 2024, the governmental fund balances consisted of the following:

	General	Capital Projects	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Prepaid expenses.....	\$ 267,444	\$ -	\$ 267,444
Restricted for:			
Capital projects.....	-	116,786	116,786
Unassigned.....	5,615,158	-	5,615,158
 Total Fund Balances.....	\$ 5,882,602	\$ 116,786	\$ 5,999,388

#### NOTE 11– RISK FINANCING

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

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

#### NOTE 12 – PENSION PLAN

##### *Plan Descriptions*

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

The Collaborative is also a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The

## South Coast Educational Collaborative

### Notes to Basic Financial Statements

Year Ended June 30, 2024

MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

#### *Special Funding Situations*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Collaborative's teachers and retired teachers to the MTRS. Therefore, the Collaborative is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Collaborative does not contribute directly to MTRS, the Collaborative does not have a net pension liability. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2023. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$2,291,257 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$24,539,508 as of the measurement date.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.10% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives. Therefore, the Collaborative does not have a net pension liability. The Collaborative's required contribution to MSERS equaled its actual contribution for the year ended December 31, 2023 which was \$217,684 and 6.10% of covered payroll.

The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the non-teaching employees of the Collaboratives and therefore has a 100% special funding situation. The total of the Commonwealth provided contributions are allocated based on each employer's covered payroll to the total covered payroll of employers in MSERS as of the measurement date of June 30, 2023. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$1,532,457 is reported as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$12,906,960 as of the measurement date.

#### *Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For

## South Coast Educational Collaborative

### Notes to Basic Financial Statements

#### Year Ended June 30, 2024

persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

#### **NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

##### *Plan Description*

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

##### *Summary of Significant Accounting Policies*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

Year Ended June 30, 2024

### *Funding Policy*

Contribution requirements are also negotiated between the Collaborative and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Collaborative contributes 50 percent of the cost of only medical insurance premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For 2024, the Collaborative contributed approximately \$173,240 towards these benefits.

The Commonwealth of Massachusetts passed special legislation that has allowed the Collaborative to establish a postemployment benefit trust fund and to enable the Collaborative to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2024, the Collaborative pre-funded future OPEB liabilities by contributing \$50,000 to the Trust. As of June 30, 2024, the balance of this fund totaled \$258,215.

### *Plan Membership*

The following table represent the Plan's membership at July 1, 2022:

Active members.....	195
Inactive members currently receiving benefits.....	<u>18</u>
Total.....	<u>213</u>

### *Components of OPEB liability*

The following table represent the components of the Plan's OPEB liability as of June 30, 2024:

Total OPEB liability.....	\$ 9,165,560
Less: OPEB plan's fiduciary net position.....	<u>(258,215)</u>
Net OPEB liability.....	<u>\$ 8,907,345</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.	2.82%

# South Coast Educational Collaborative

## Notes to Basic Financial Statements

### Year Ended June 30, 2024

#### *Significant Actuarial Methods and Assumptions*

The total OPEB liability in the July 1, 2022 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2024, to be in accordance with GASB #74:

Valuation date.....	July 1, 2022
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets as of the measurement date, June 30, 2024.
Investment rate of return.....	6.18%, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.50%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2024 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2024 and for future periods.
Municipal bond rate.....	4.21% as of June 30, 2024 (Source: S&P Municipal Bond 20-Year High Grade index-SAPIHG).
Mortality rates:	
Pre-Retirement mortality.....	<u>General:</u> RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Post-Retirement mortality.....	<u>General:</u> RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and female, set forward 1 year for females.
Disabled mortality.....	<u>General:</u> RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

#### *Rate of Return*

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 10.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges

## South Coast Educational Collaborative

### Notes to Basic Financial Statements

#### Year Ended June 30, 2024

are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 3.93% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.43%.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2024, are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity- large cap.....	37.25%	4.91%
Domestic equity- small/mid cap.....	3.75%	5.29%
International equity-developed markets.....	3.75%	5.32%
International equity-emerging markets.....	2.00%	6.13%
Domestic fixed income.....	38.75%	2.30%
International fixed income.....	3.75%	2.02%
Alternatives.....	7.75%	6.35%
Real estate.....	2.00%	6.25%
Cash and cash equivalents.....	1.00%	0.00%
Total.....	<u>100.00%</u>	

#### *Discount rate*

The discount rate used to measure the total OPEB liability was 4.50% as of June 30, 2024 and 4.18% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Collaborative's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index (“SAPIHG”), which was 4.21% as of June 30, 2024. The S&P Municipal Bond 20 – Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

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

The table on the following page presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 4.50%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate.

**South Coast Educational Collaborative**

**Notes to Basic Financial Statements**

**Year Ended June 30, 2024**

	<u>1% Decrease</u> <u>(3.50%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.50%)</u>	<u>1% Increase</u> <u>(5.50%)</u>
Net OPEB liability.....	\$ 10,960,769	\$ 8,907,345	\$ 7,329,519

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

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

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB liability.....	\$ 7,111,807	\$ 8,907,345	\$ 11,329,392

*Changes in the Net OPEB Liability*

	<u>Increase (Decrease)</u>		
	<u>Total OPEB</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net OPEB</u> <u>Liability</u> <u>(a) - (b)</u>
Balances at June 30, 2023.....	\$ 8,942,042	\$ 189,223	\$ 8,752,819
Changes for the year:			
Service cost.....	429,380	-	429,380
Interest.....	389,176	-	389,176
Changes in Assumptions.....	(471,798)	-	(471,798)
Investment income.....	-	18,992	(18,992)
Contributions to trust.....	-	173,240	(173,240)
Benefit payments.....	<u>(123,240)</u>	<u>(123,240)</u>	<u>-</u>
Net change.....	<u>223,518</u>	<u>68,992</u>	<u>154,526</u>
Balance at June 30, 2024.....	\$ <u>9,165,560</u>	\$ <u>258,215</u>	\$ <u>8,907,345</u>

**South Coast Educational Collaborative**

**Notes to Basic Financial Statements**

**Year Ended June 30, 2024**

*OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB*

For the year ended June 30, 2024, the Collaborative recognized OPEB expense of \$216,000. At June 30, 2024, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB of \$2,976,722 and \$5,621,819, respectively, from the following sources:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ 40,129	\$ (2,382,375)	\$ (2,342,246)
Difference between projected and actual earnings, net.....	-	(1,302)	(1,302)
Changes in assumptions.....	<u>2,936,593</u>	<u>(3,238,142)</u>	<u>(301,549)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>2,976,722</u>	\$ <u>(5,621,819)</u>	\$ <u>(2,645,097)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2025.....	\$ (592,695)
2026.....	(446,385)
2027.....	(549,398)
2028.....	(826,630)
2029.....	(162,585)
Thereafter.....	<u>(67,404)</u>
Total.....	\$ <u>(2,645,097)</u>

*Changes of Assumptions*

- The discount rate has been changed from 4.18% to 4.50%.

*Changes in Plan Provisions*

- None.



## South Coast Educational Collaborative

### Notes to Basic Financial Statements

Year Ended June 30, 2024

#### NOTE 14 – CONTINGENCIES

Various legal actions and claims are pending against the Collaborative. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2024 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2024.

#### NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2024, which is the date the financial statements were available to be issued.

#### NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2024, the following GASB pronouncements were implemented:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.
- The GASB issued Statement #102, *Certain Risk Disclosures*, which is required to be implemented in 2025.
- The GASB issued Statement #103, *Financial Reporting Model Improvements*, which is required to be implemented in 2026.
- The GASB issued Statement #104, *Disclosure of Certain Capital Assets*, which is required to be implemented in 2026.

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

***Required Supplementary Information***

# ***General Fund***

## ***Budgetary Comparison Schedule***

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

# South Coast Educational Collaborative

## General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

### Year Ended June 30, 2024

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Direct service and administrative.....	\$ 23,996,520	\$ 24,046,520	\$ 24,299,871	\$ -	\$ 253,351
Investment income.....	3,500	3,500	175,740	-	172,240
<b>TOTAL REVENUES.....</b>	<b>24,000,020</b>	<b>24,050,020</b>	<b>24,475,611</b>	<b>-</b>	<b>425,591</b>
<b>EXPENDITURES:</b>					
Current:					
Administration.....	2,369,421	2,369,421	2,886,897	-	(517,476)
Instruction and other student services.....	21,569,521	22,594,521	22,112,045	-	482,476
Debt service:					
Principal.....	25,363	25,363	59,426	-	(34,063)
Interest.....	9,160	9,160	1,047	-	8,113
<b>TOTAL EXPENDITURES.....</b>	<b>23,973,465</b>	<b>24,998,465</b>	<b>25,059,415</b>	<b>-</b>	<b>(60,950)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>26,555</b>	<b>(948,445)</b>	<b>(583,804)</b>	<b>-</b>	<b>364,641</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	-	1,000,000	1,000,000	-	-
Transfers out.....	(25,000)	(50,000)	(50,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(25,000)</b>	<b>950,000</b>	<b>950,000</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>1,555</b>	<b>1,555</b>	<b>366,196</b>	<b>-</b>	<b>364,641</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>5,516,406</b>	<b>5,516,406</b>	<b>5,516,406</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 5,517,961</b>	<b>\$ 5,517,961</b>	<b>\$ 5,882,602</b>	<b>\$ -</b>	<b>\$ 364,641</b>

*See notes to required supplementary information.*

## *Pension Plan Schedules*

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

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

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

## South Coast Educational Collaborative

### Schedule of the Special Funding Amounts of the Net Pension Liability

#### Massachusetts State Employees Retirement System

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

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 6.10% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the collaborative; the portion of the collective pension expense as both a revenue and pension expense recognized by the collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

Measurement Fiscal Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 12,906,960	\$ 1,532,457	70.71%
2022.....	11,809,467	928,256	71.05%
2021.....	9,468,684	595,968	77.54%
2020.....	14,098,564	2,104,690	62.48%
2019.....	12,472,900	2,071,935	66.28%
2018.....	11,150,552	1,469,006	67.91%
2017.....	10,289,691	1,331,414	67.91%
2016.....	10,818,003	1,502,384	63.48%
2015.....	8,857,025	988,336	67.87%
2014.....	7,974,494	664,249	76.32%

*See notes to required supplementary information.*

## South Coast Educational Collaborative

### Schedule of the Special Funding Amounts of the Net Pension Liability

#### Massachusetts Teachers' Retirement System

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

Measurement Fiscal Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023..... \$	24,539,508 \$	2,291,257	58.48%
2022.....	23,430,129	1,927,357	57.75%
2021.....	22,025,864	1,767,484	62.03%
2020.....	27,586,450	3,407,322	50.67%
2019.....	22,988,655	2,787,773	53.95%
2018.....	20,977,431	2,125,759	54.84%
2017.....	20,322,971	2,121,168	54.25%
2016.....	20,087,752	2,049,082	52.73%
2015.....	19,080,579	1,547,605	55.38%
2014.....	14,139,839	982,363	61.64%

*See notes to required supplementary information.*

## South Coast Educational Collaborative

### Schedule of the Collaborative's Contributions

#### Massachusetts State Employees' Retirement System

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 6.10% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the collaborative's required and actual contribution for the normal cost; covered payroll; and contributions recognized by the pension plan in relation to the covered payroll.

<u>Measurement Calendar Year</u>	<u>Collaborative's Statutory Required and Actual Contribution for Normal Cost</u>	<u>Collaborative's Covered Payroll</u>	<u>Amount of Contributions Recognized by the Pension Plan in Relation to Covered Payroll</u>
2023.....	\$ 217,684	\$ 3,568,590	6.10%
2022.....	334,062	5,476,426	6.10%
2021.....	352,264	5,774,820	6.10%
2020.....	319,689	5,240,803	6.10%
2019.....	476,721	7,815,098	6.10%
2018.....	69,151	1,133,623	6.10%
2017.....	216,401	3,547,557	6.10%
2016.....	244,712	4,369,857	5.60%
2015.....	236,640	4,225,714	5.60%
2014.....	251,276	4,487,071	5.60%

*See notes to required supplementary information.*



## ***Other Postemployment Benefits Plan Schedules***

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

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

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

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

## South Coast Educational Collaborative

### Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios

#### Other Postemployment Benefit Plan

	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
<b>Total OPEB Liability</b>						
Service Cost.....	\$ 438,099	\$ 533,094	\$ 564,851	\$ 782,662	\$ 411,294	\$ 429,380
Interest.....	325,668	314,802	311,250	331,207	446,748	389,176
Differences between expected and actual experience.....	280,885	-	(2,179,249)	-	(2,027,772)	-
Changes of assumptions.....	(1,294,347)	694,538	4,119,919	(4,635,465)	1,361,464	(471,798)
Benefit payments.....	(131,745)	(180,199)	(206,831)	(115,004)	(135,848)	(123,240)
Net change in total OPEB liability.....	(381,440)	1,362,235	2,609,940	(3,636,600)	55,886	223,518
Total OPEB liability - beginning.....	8,932,021	8,550,581	9,912,816	12,522,756	8,886,156	8,942,042
Total OPEB liability - ending (a).....	\$ 8,550,581	\$ 9,912,816	\$ 12,522,756	\$ 8,886,156	\$ 8,942,042	\$ 9,165,560
<b>Plan fiduciary net position</b>						
Employer contributions.....	\$ 181,745	\$ 180,199	\$ 206,831	\$ 115,004	\$ 260,848	\$ 173,240
Net investment income (loss).....	(34)	1,982	10,840	(5,183)	6,618	18,992
Benefit payments.....	(131,745)	(180,199)	(206,831)	(115,004)	(135,848)	(123,240)
Net change in plan fiduciary net position.....	49,966	1,982	10,840	(5,183)	131,618	68,992
Plan fiduciary net position - beginning of year.....	-	49,966	51,948	62,788	57,605	189,223
Plan fiduciary net position - end of year (b).....	\$ 49,966	\$ 51,948	\$ 62,788	\$ 57,605	\$ 189,223	\$ 258,215
<b>Net OPEB liability - ending (a)-(b).....</b>	<b>\$ 8,500,615</b>	<b>\$ 9,860,868</b>	<b>\$ 12,459,968</b>	<b>\$ 8,828,551</b>	<b>\$ 8,752,819</b>	<b>\$ 8,907,345</b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.58%	0.52%	0.50%	0.65%	2.12%	2.82%
Covered-employee payroll.....	\$ 13,000,000	\$ 13,390,000	\$ 13,167,633	\$ 13,562,662	\$ 13,324,991	\$ 13,724,741
Net OPEB liability as a percentage of covered-employee payroll.....	65.39%	73.64%	94.63%	65.09%	65.69%	64.90%

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

*See notes to required supplementary information.*

## South Coast Educational Collaborative

### Schedule of the Collaborative's Contributions

#### Other Postemployment Benefit Plan

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2024.....	\$ 792,691	\$ (173,240)	\$ 619,451	\$ 13,724,741	1.26%
June 30, 2023.....	753,787	(260,848)	492,939	13,324,991	1.96%
June 30, 2022.....	1,144,691	(115,004)	1,029,687	13,562,662	0.85%
June 30, 2021.....	951,544	(206,831)	744,713	13,167,633	1.57%
June 30, 2020.....	1,021,535	(180,199)	841,336	13,390,000	1.35%
June 30, 2019.....	884,659	(181,745)	702,914	13,000,000	1.40%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

*See notes to required supplementary information.*

**South Coast Educational Collaborative**

**Schedule of Investment Returns**

**Other Postemployment Benefit Plan**

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2024.....	10.04%
June 30, 2023.....	6.76%
June 30, 2022.....	-8.25%
June 30, 2021.....	20.87%
June 30, 2020.....	3.97%
June 30, 2019.....	-1.60%

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

*See notes to required supplementary information.*

# South Coast Educational Collaborative

## Notes to Required Supplementary Information

Year Ended June 30, 2024

### NOTE A – BUDGETARY BASIS OF ACCOUNTING

#### A. Budgetary Information

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

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

The original year 2024 approved budget for the general fund authorized \$24.0 million in appropriations. Subsequent to the original budget vote, the Collaborative voted supplemental appropriations totaling \$1.05 million. Of the supplemental appropriations, \$1.0 million was used for the purchase of a building, which was funded from available funds, \$25,000 was voted to reserve capital from surplus revenues, and \$25,000 was voted as additional funding for the Collaborative’s OPEB Trust fund, from surplus revenues.

The Business Administrator has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

#### B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, a budgetary basis of accounting is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2024, is presented below:

Net change in fund balance - budgetary basis.....	\$	366,196
<u>Basis of accounting differences:</u>		
Recognition of lease financing.....		1,599,853
Recognition of lease expense.....		(1,599,853)
Recognition of revenue for on-behalf payments.....		3,823,714
Recognition of expenditures for on-behalf payments.....		<u>(3,823,714)</u>
Net change in fund balance - GAAP basis.....	\$	<u>366,196</u>

## South Coast Educational Collaborative

### Notes to Required Supplementary Information

Year Ended June 30, 2024

#### NOTE B – PENSION PLAN

##### *Pension Plan Schedules*

##### A. Schedule of Contributions

A special funding situation was created by Massachusetts General Laws for all Educational Collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.10% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives.

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

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

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

#### NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

# South Coast Educational Collaborative

## Notes to Required Supplementary Information

Year Ended June 30, 2024

### The Other Postemployment Benefit Plan

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

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

#### Schedule of the Collaborative's Contributions

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

Valuation date.....	July 1, 2022
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets as of the measurement date, June 30, 2024.
Investment rate of return.....	6.18%, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.50%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2024 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2024 and for future periods.
Municipal bond rate.....	4.21% as of June 30, 2024 (Source: S&P Municipal Bond 20-Year High Grade index-SAPIHG).
Mortality rates:	
Pre-Retirement mortality.....	<u>General:</u> RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.

## South Coast Educational Collaborative

### Notes to Required Supplementary Information

#### Year Ended June 30, 2024

Post-Retirement mortality.....	<u>General:</u> RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and female, set forward 1 year for females.
Disabled mortality.....	<u>General:</u> RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

#### Schedule of Investment Return

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

#### Changes of Assumptions

- The discount rate has been changed from 4.18% to 4.50%.

#### Changes in Provisions

- None.



## ***Other Information***

# South Coast Educational Collaborative

## Other Information

Year Ended June 30, 2024

### REQUIRED DISCLOSURES FOR MASSACHUSETTS EDUCATIONAL COLLABORATIVES

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

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

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

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

##### Classrooms

The Collaborative has entered into various lease agreements for classroom space at multiple locations under non-cancelable leases. The cost of the leases for the year ended June 30, 2024, totaled approximately \$877,749, which is reported as debt service principal and interest relating to leases. The cost and accumulated depreciation of these leased assets total approximately \$1.5 million and \$533,000, respectively.

These leases consisted of various classroom leases with lease periods beginning during 2024. The new leases entered into during the current year totaled \$1,559,853 and were capitalized by the Collaborative as right-to-use leased buildings.

The future minimum lease payments for these right-to-use buildings are as follows:

<u>Years ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025.....	\$ 612,071	\$ 20,738	\$ 632,809
2026.....	407,735	6,214	413,949
Total.....	\$ 1,019,806	\$ 26,952	\$ 1,046,758

# South Coast Educational Collaborative

## Other Information

Year Ended June 30, 2024

### Derecognition of Lease Liability

In 2024, the Collaborative purchased the Young Men’s Christian Association (YMCA) Building, which the Collaborative was previously occupying under a lease agreement. Upon the closing of the sale, the existing lease agreement was terminated. The remaining lease liability was derecognized, totaling \$324,380, and the related right-to-use leased building, with a net book value of \$670,696, was removed. The net value of the transaction totaling \$346,316 was recorded as a loss on lease termination in the Collaborative’s statement of activities.

The purchase price of the building was capitalized, and the remaining value of the cost and accumulated depreciation on related leasehold improvements were reclassified to buildings. See Note 6 for further information.

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

The following employees were the five highest compensated employees for the period ended June 30, 2024:

<u>Name</u>	<u>Employee Position</u>	<u>Total Compensation</u>
David R. Heimbecker.....	Executive Director.....	\$ 215,621
Jennifer Faria.....	Associate Executive Director of Student Services.....	149,782
Jennifer Prendergast.....	Director of Finance.....	148,874
Raymond Steele.....	Director of Technology.....	147,630
Carolyn McKeamey.....	Associate Executive Director of Professional Development....	141,630
Lisa Martiesien.....	Associate Executive Director for Student Programing.....	141,630

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

For the year ended June 30, 2024, the Collaborative expended approximately \$2,334,347 and \$876,317 for amounts related to administration and overhead, respectively.

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

At June 30, 2024, there are no accounts held by the Collaborative that may be spent at the discretion of another person or entity.

# South Coast Educational Collaborative

## Other Information

### Year Ended June 30, 2024

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

There were no expenditures that qualified for reporting in this category.

#### NOTE 7 – ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS

Certified Cumulative Surplus is defined as the amount of general fund surplus in the collaborative accounts, as certified through an independent audit. Cumulative surplus is derived from a collaborative's unexpended general funds over a number of fiscal years. General funds are for the most part, the funds that a collaborative receives from school districts for tuitions, dues, fees for service, surcharges, and related interest, as well as indirect costs allowed under certain grant awards not earmarked under the conditions of the funding for a specific purpose. The Board of Directors voted to approve and retain \$5,882,602 as the amount designated as Cumulative Surplus from general funds remaining in the Collaborative's accounts as of June 30, 2024. This amount does not exceed the limit of 25% of general fund expenditures for the year as shown below.

Surplus Calculation Fiscal Year 2024	Page in 2024 Financial
(A) Surplus as of June 30, 2023	\$ 5,516,406 (A) <u>p.18</u>
<i>(Breakdown of use of 2023 surplus)</i>	
B(1) used to support the FY24 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)	\$ 50,000
(B) Board voted uses of surplus funds during 2024	(total from B1:B4) \$ 50,000 (B) <u>p. N/A</u>
(C) Unexpended 2024 General Funds **	\$ 416,196 (C) <u>p.16</u>
(D) Cumulative Surplus as of June 30, 2024	(A) - (B) + (C) = (D) \$ 5,882,602 (D) <u>p.16</u>
(E) 2024 Total General Fund Expenditures *	\$ 25,441,852 (E) <u>p.16</u>
(F) Cumulative Surplus Percentage	(D) ÷ (E) <u>23.12%</u> (F) <u>p. N/A</u>
<b>CUMULATIVE SURPLUS REDUCTION</b>	
Allowable uses of surplus - in excess of the 25% limit	
(G) Cumulative surplus as of June 30, 2024	\$ 5,882,602
	25% limit (allowed) \$ 6,360,463
(H) Cumulative Surplus REDUCTIONS	
(H1) Credited to member districts for tuition, services, etc.	\$ -
(H2) Deposited to an established trust and/or reserve fund	\$ -
(H3) Returned (check) to school districts/towns	\$ -
<b>Total Reductions</b>	<b>\$ -</b>
<b>2024 Cumulative Surplus Percentage after Reductions</b>	<b><u>23.12%</u></b>

\* Net of intergovernmental on-behalf payments, and the gross up of the lease expense.

\*\* Net of lease financing

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



**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  
**South Coast Educational Collaborative**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Coast Educational Collaborative, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the South Coast Educational Collaborative's basic financial statements, and have issued our report thereon dated December 11, 2024.

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

In planning and performing our audit of the financial statements, we considered the South Coast Educational 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 the South Coast Educational Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Coast Educational 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 South Coast Educational Collaborative's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the South Coast Educational 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 South Coast Educational 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 South Coast Educational Collaborative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

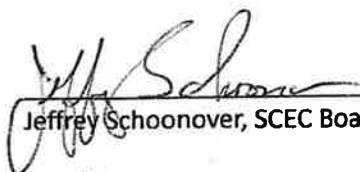
*Marcum LLP*

Boston, MA  
December 11, 2024


Certificate of Approval

At their Executive Meeting held on October 24, 2024 the Board of Directors of South Coast Educational Collaborative voted unanimously to:

“Approve the 2023-2024 Annual Financial Audit of South Coast Educational Collaborative as presented and submitted by Renee Davis, Partner and Laura Stone, Manager from Marcum, LLP and instruct the Board Chair and the Executive Director to certify that this action was taken by signing a document that memorializes the action taken.”

  
\_\_\_\_\_  
Jeffrey Schoonover, SCEC Board Chair

12-12-2024  
Date

  
\_\_\_\_\_  
David R. Heimbecker, Executive Director

12-12-2024  
Date





December 11, 2024

To the Board of Directors  
**South Coast Educational Collaborative**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Coast Educational Collaborative for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated August 13, 2024, our responsibility, as described by professional standards, was to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the Collaborative. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the Collaborative's compliance with certain provisions of laws, regulations, contract, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management's Discussion & Analysis, the general fund schedule of revenues, expenditures and changes in fund balance – budget and actual, as well as various pension and other postemployment benefit plan schedules, which supplement the basic financial statements, was to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have not been engaged to report on the required disclosures for Massachusetts Educational Collaboratives, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

### **Planned Scope, Timing of the Audit, and Other**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified management override of controls as a significant risk of material misstatement as part of our audit planning.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Collaborative are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by the Collaborative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the Collaborative's financial statements was (were):

Management's estimate of the useful lives of capital assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other postemployment benefit liability and related deferred outflows/(inflows) of resources. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the interest rate on lease obligations. We evaluated the key factors and assumptions used to develop the interest rate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the other post-employment benefit plan in the notes to the financial statements, which is based on an actuarial valuation performed every two years, updated each year to the measurement date.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Independence***

During the year ended June 30, 2024, we were engaged to provide non-attest services mainly related to the preparation of the financial statements in their entirety, and consolidating funds into governmental activities and converting to the accrual basis of accounting based on information from the Collaborative's records. We reviewed the nature of the requested work, our role and management's role and determined that our independence would not be impaired, in fact or appearance.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Collaborative's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Collaborative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to Management's Discussion & Analysis, the general fund schedule of revenues, expenditures, and changes in fund balance – budget and actual, as well as various pension and other postemployment benefit plan schedules, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the required disclosures for Massachusetts Educational Collaboratives, which accompany the financial statements but are not RSI. Such 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.

**Restriction on Use**

This information is intended solely for the information and use of the Board of Directors and management of the Collaborative and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Marcum LLP*

Marcum LLP