

KEYSTONE EDUCATIONAL COLLABORATIVE

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

KEYSTONE EDUCATIONAL COLLABORATIVE
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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**KEYSTONE EDUCATIONAL COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023**

As Management of Keystone Educational Collaborative (the Collaborative), we offer readers this narrative overview and analysis of the financial activities of the Collaborative for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic financial statements and notes to the basic financial statements.

The Collaborative

The Collaborative is a regional public, multi-service agency authorized by State statute to develop, manage and provide services to local educational agencies. More specifically, the collaborative creates programs and provides services for children with a wide range of special education needs. Pursuant to the provisions of Massachusetts General Laws, Chapter 40, Section 4E as most recently amended, the Collaborative is an Agreement entered into in 1975 by the school committees of Fitchburg, Leominster and Clinton acting for and on behalf of their respective cities, towns or regional school districts. This agreement has been reaffirmed over time adding Lunenburg, Gardner, West Boylston, Winchendon, the Ayer Shirley Regional School District, the Quabbin Regional School District, North Middlesex Regional School District, the Ashburnham/Westminster Regional School District and the Narragansett regional School District as members. It was last reaffirmed and modified in FY2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview is intended to serve as an introduction to the Collaborative's basic financial statements. The Collaborative's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-Wide Financial Statements

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

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

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

related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

A fund is a grouping of related accounts or a single account that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds are governmental funds.

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

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

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

Notes to the Financial Statements

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

Other Information

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

FINANCIAL HIGHLIGHTS

- The assets of the Collaborative exceeded its liability by \$3,376,225 and \$3,716,729, at June 30, 2023 and 2022, respectively.
- The Collaborative's net position decreased by \$340,504 and increased by \$40,033 for the years ended June 30, 2023 and 2022, respectively.
- The Collaborative's lease liability at June 30, 2023 is \$426,876 and the corresponding lease asset is \$391,685.
- No provision was made in the budget to reflect non-cash activities, such as depreciation and amortization. Depreciation was \$89,845 and \$100,162 for the years ended, June 30, 2023 and 2022, respectively.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. The Collaborative's assets exceeded liabilities by \$3,376,225 and \$3,716,729, at June 30, 2023 and 2022, respectively.

At June 30, 2023 and 2022, the net position of \$2,513,950 and \$2,854,454 was unrestricted, respectively. As a measure of liquidity, it may be useful to compare unrestricted net position to total expenditures and transfers for the current year. Unrestricted net position represents 22% of total expenditures for the year ended June 30, 2023 and 24.3% for the year ended June 30, 2022. There was a \$184,920 transfer out of the capital reserve fund.

Key factors in the change in net position are as follows:

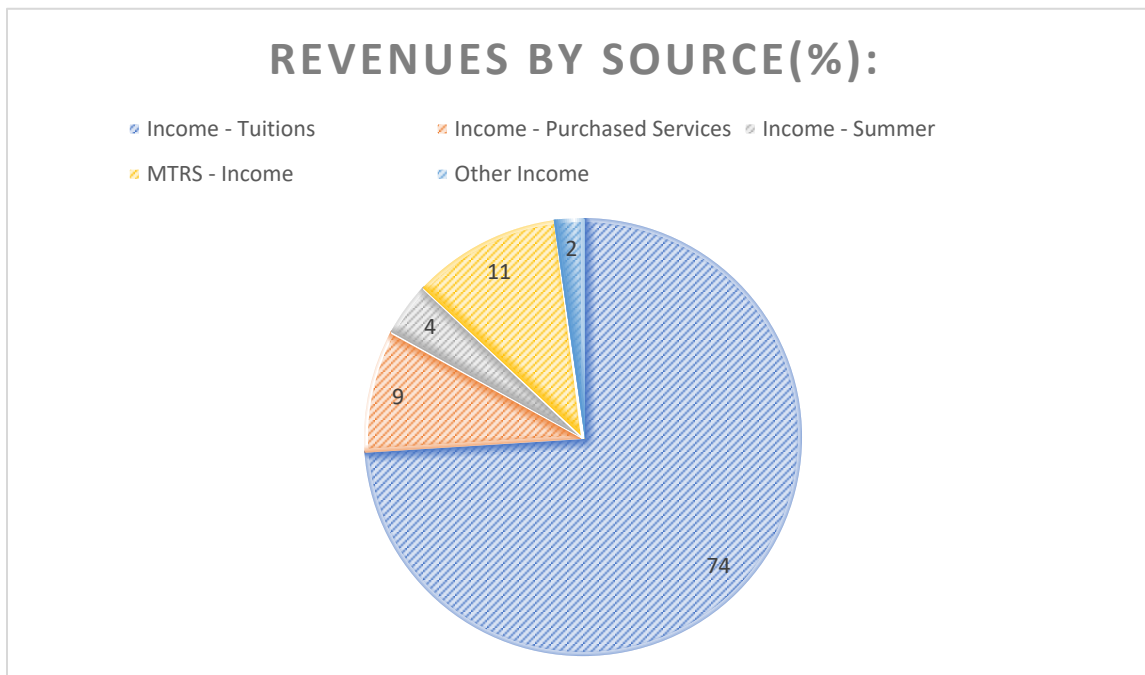
- Expenditures were \$814,791 less than budgeted for the year ended June 30, 2023 and \$279,350 less than budgeted for the year ended June 30, 2022.
- Tuition and service fees revenues were \$1,127,712 less than budgeted for the year ended June 30, 2023 and \$166,945 less than budgeted for the year ended June 30, 2022. Total operating revenue was \$1,100,641 less than budgeted for the year ended June 30, 2023 and \$103,264 less than budgeted for the year ended June 30, 2022.

State payments-on-behalf of the teacher retirement program totaling \$1,449,756 and \$1,091,762 were made directly to the Commonwealth for the benefit of Collaborative teachers for the years ended June 30, 2023 and 2022, respectively.

Revenues

Total operating revenue increased in 2023 versus 2022 by \$890,239 (8%).

Nonoperating revenue decreased in 2023 versus 2022 by \$41,843 (29%).



Budgetary Highlights

The approved budget of the Collaborative for the 2023 fiscal year end anticipated revenue of approximately \$12.3 million. The budget anticipated that, with full use of services, there would be no change in net position. The actual result was an decrease in net position of approximately \$340,504 due in large part to lower than budgeted tuition and service fees. The net position, for the fiscal year end 2023 is \$3,376,225. The Collaborative did not exceed the 25% cap on our fund balance (603 CMR 507.07(9)). The surplus calculation on Note 8 shows that the amount of funds under the cap is \$1,516,507.

REQUIRED DISCLOSURES PER MASSACHUSETTS GENERAL LAWS CHAPTER 40, SECTION 4E

Under Massachusetts General Law and its regulations pertaining to Collaboratives, Keystone Collaborative must disclose certain information. For the year ended June 30, 2023, refer to the following information:

1. The Collaborative did not enter into any transactions with related for-profit or non-profit organizations.
2. The Collaborative leases office and classroom space as described in Note 6 of the financial statements.
3. The names, duties and total compensation of the five most highly compensated employees are disclosed below:

<u>Employee Name</u>	<u>Position</u>	<u>Total Compensation</u>
John Demanche	Executive Director	\$151,968
Gary MacCallum	Program Supervisor	\$116,002
Megan Ritter	Program Supervisor	\$112,981
Jean Sauer	Teacher of Visually Impaired and Orientation and Mobility Instructor	\$104,441
Michelle Twiss	Board Certified Behavior Analyst	\$107,902

4. The Collaborative expended the following amounts on administration and overhead:

The total amount expended on administration and overhead for the fiscal year 2023 was \$862,081. This amount was for payroll related, administration and occupancy.

The Collaborative did not hold any accounts that may be spent at the discretion of another person or entity.

5. The Collaborative did not expend any funds on services for individuals age 22 or older.
6. The Collaborative makes all information from audits available publicly online through their individual website.

REQUESTS FOR INFORMATION

The financial report is designed to provide the reader with a general overview of finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the business office of the Keystone Educational Collaborative, 2 Shaker Road D215, Shirley, Massachusetts.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Keystone Educational Collaborative
Shirley, MA

Opinions

We have audited the accompanying financial statements of the governmental activities of the Keystone Educational Collaborative (the Collaborative) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Collaborative as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Collaborative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Collaborative's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion And Analysis (pages 1-5) and budget and actual General Fund (page 15) and the schedule of the Collaborative's proportionate share of the net pension liability (page 33) 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 the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2023, on our consideration of the Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Collaborative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Collaborative's internal control over financial reporting and compliance.

Bruce D. Norling, CPA, P.C.

Sudbury, Massachusetts
December 7, 2023

KEYSTONE EDUCATIONAL COLLABORATIVE
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,164,462
Accounts receivable	626,459
Prepaid expenses	107,258
Total current assets	<u>2,898,179</u>
Noncurrent Assets	
Lease asset, net of accumulated amortization	391,685
Capital assets, net of accumulated depreciation	1,265,458
Total noncurrent assets	<u>1,657,143</u>
Total assets	<u>4,555,322</u>
LIABILITIES	
Current Liabilities	
Accounts payable	6,080
Accrued payroll	700,231
Other accrued liabilities	45,910
Short term lease liability	299,598
Total current liabilities	<u>1,051,819</u>
Noncurrent Liabilities	
Long term lease liability	127,278
Total noncurrent liabilities	<u>127,278</u>
NET POSITION	
Committed to capital reserve	662,355
Restricted	199,920
Unrestricted (deficit)	2,513,950
Total net position	<u>3,376,225</u>
Total Liabilities and Net Position	<u>\$ 4,555,322</u>

See accompanying notes to financial statements

**KEYSTONE EDUCATIONAL COLLABORATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities					
Tuition and service fees	\$ -	\$ 11,083,194	\$ -	\$ -	\$ 11,083,194
Student support services	238,414	-	-	-	(238,414)
Payroll	8,511,612	-	-	-	(8,511,612)
Pension-on-behalf payments	1,449,756	-	1,449,756	-	-
Admin	154,584	-	-	-	(154,584)
Virtual learning consortium	71,150	71,150	-	-	-
Rent	427,095	-	-	-	(427,095)
Professional Development	51,184	-	-	-	(51,184)
Maintenance	205,950	-	-	-	(205,950)
Telephone and utilities	137,847	-	-	-	(137,847)
Employee benefits	1,292,007	-	-	-	(1,292,007)
Fixed assets/technology	110,426	-	-	-	(110,426)
Insurance	271,805	-	-	-	(271,805)
Depreciation	89,845	-	-	-	(89,845)
Total governmental activities	\$ 13,011,675	\$ 11,154,344	\$ 1,449,756	\$ -	\$ (407,575)
General revenues:					
Member assessments and other					54,727
Interest Income					12,344
Total general revenues					67,071
Change in net position					(340,504)
Unrestricted Net position - beginning of year					2,854,454
Unrestricted Net position - end of year					\$ 2,513,950

See accompanying notes to financial statements

**KEYSTONE EDUCATIONAL COLLABORATIVE
GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	<u>General Fund</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,164,462	\$ -	\$ 2,164,462
Accounts receivable	626,459	-	626,459
Prepaid expenses	107,258	-	107,258
Total current liabilities	<u>2,898,179</u>	<u>-</u>	<u>2,898,179</u>
OTHER ASSETS			
Total other assets	-	-	-
TOTAL ASSETS	<u>\$ 2,898,179</u>	<u>\$ -</u>	<u>\$ 2,898,179</u>
CURRENT LIABILITIES			
Liabilities:			
Accounts payable	\$ 6,080	\$ -	\$ 6,080
Accrued expenses	700,231	-	700,231
Deferred revenue	45,910	-	45,910
Total current liabilities	<u>752,221</u>	<u>-</u>	<u>752,221</u>
OTHER LIABILITIES			
Total other liabilities	-	-	-
FUND BALANCES:			
Committed	-	662,355	662,355
Assigned	199,920	-	199,920
Unassigned	1,283,683	-	1,283,683
Total fund balances	<u>1,483,603</u>	<u>662,355</u>	<u>2,145,958</u>
Total liabilities and fund balances	<u>\$ 2,235,824</u>	<u>\$ 662,355</u>	<u>\$ 2,898,179</u>

See accompanying notes to financial statements

KEYSTONE EDUCATIONAL COLLABORATIVE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balance, governmental funds	\$ 2,145,958
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Amounts reported for governmental activities in Statement of Net Position are different because:

Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,265,458
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Some liabilities (such as Notes Payable, Lease Payable (net of the effect of lease assets), Long-Term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(35,191)
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Net Position of Governmental Activities in the Statement of Net Position.	\$ <u>3,376,225</u>
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**KEYSTONE EDUCATIONAL COLLABORATIVE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
REVENUES			
Tuition and service fees	\$ 11,083,194	\$ -	\$ 11,083,194
Pension-on-behalf payments	1,449,756	-	1,449,756
Virtual learning consortium	71,150	-	71,150
Assessments	37,500	-	37,500
Other revenue	29,571	-	29,571
Total revenues	<u>12,671,171</u>	<u>-</u>	<u>12,671,171</u>
EXPENDITURES			
Personnel expenses	10,089,270	-	10,089,270
Pension-on-behalf payments	1,449,756	-	1,449,756
Occupancy	819,829	-	819,829
Operations	360,952	-	360,952
Consultants	47,278	-	47,278
Equipment	138,752	-	138,752
Professional development	51,184	-	51,184
Total expenditures	<u>12,957,021</u>	<u>-</u>	<u>12,957,021</u>
Excess of revenues over expenditures	<u>(285,850)</u>	<u>-</u>	<u>(285,850)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	184,920	-	184,920
Transfers (out)	-	(184,920)	(184,920)
Total other financing sources and uses	<u>184,920</u>	<u>(184,920)</u>	<u>-</u>
Excess (Deficiency) of revenue over expenditures	(100,930)	(184,920)	(285,850)
Fund balances - beginning of year	<u>2,758,957</u>	<u>847,275</u>	<u>3,606,232</u>
Fund balances - end of year	<u>\$ 2,658,027</u>	<u>\$ 662,355</u>	<u>\$ 3,320,382</u>

See accompanying notes to financial statements

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

Excess of revenues over expenditures	\$	(285,850)
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Amounts reported for Governmental Activities in Statement of
Activities are different because:

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

Depreciation (-89,845) plus lease adjustemt (35,191)		(54,654)
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Change in net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">(340,504)</div>
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KEYSTONE EDUCATIONAL COLLABORATIVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Position</u> <u>(Negative)</u>
REVENUES			
Tuition and service fees	\$ 12,282,056	\$ 11,154,344	\$ (1,127,712)
Assessments	40,000	37,500	(2,500)
Other revenue	-	29,571	29,571
Total revenues	<u>12,322,056</u>	<u>11,221,415</u>	<u>(1,100,641)</u>
EXPENDITURES AND OTHER USES			
Personnel expenses	11,100,757	10,089,270	1,011,487
Occupancy	749,992	819,829	(69,837)
Operations	277,745	360,952	(83,207)
Consultants	20,000	47,278	(27,278)
Equipment	104,602	138,752	(34,150)
Professional development	68,960	51,184	17,776
Amortization	-	-	-
Total expenditures and other uses	<u>12,322,056</u>	<u>11,507,265</u>	<u>814,791</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER			
SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ (285,850)</u>	<u>\$ (285,850)</u>

Notes to schedule:

The Board of Directors annually determines the amount to be raised (after deducting the amount of anticipated revenues from other sources, including surplus revenue, if any) to maintain and operate the Collaborative during the next fiscal year and then, based upon enrollment data, assesses the member and non-member districts in accordance with the terms of the agreement. An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2023 approved expenditure budget for the general fund was \$12,322,056. The above schedule presents a comparison of budgetary data to actual results. The differences between the Government-Wide (Statement of Activities) and the budget basis primarily is the recognition in the General Fund of grossing up of revenues and expenses to reflect On Behalf Teacher's Retirement paid by the Commonwealth of Massachusetts. Deficits, if any, are addressed in the subsequent year's budget process.

Reconciliation of the Budget basis to GAAP basis

	Revenues	Expenditures	Excess (Deficit)
Budget Basis	\$ 11,221,415	\$ 11,507,265	\$ (285,850)
Recognized on-behalf pension payments	1,449,756	1,449,756	-
	<u>\$ 12,671,171</u>	<u>\$ 12,957,021</u>	<u>\$ (285,850)</u>

**KEYSTONE EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

Keystone Educational Collaborative (the Collaborative) is an association of school committees formed for the purpose of conducting education programs and services to complement and strengthen the school programs of member school committees and increase educational opportunities for children. The Collaborative provides pre-school, elementary and secondary education for students ages 3 to 21 with significant disabilities. The Collaborative is governed by an Executive Board of Directors comprised of Superintendents or their designees from each member school committee. For financial reporting purposes, the Collaborative is a stand-alone entity, not a component unit of another entity and there are no component units included in its financial statements. The Collaborative was formed by agreement on November 11, 1975. The agreement is changed from time to time to accommodate member changes and the most recent modification was in 2020.

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

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements report information on all of the activities of the Collaborative. The Collaborative has only governmental-type activities.

The statement of activities demonstrates both the gross and net cost per functional category. Direct expenses are those that are clearly identifiable with the specific function and program revenues must be directly associated with that function. Program revenues include charges for services as well as grants and contributions that are restricted to meeting operational requirements of the function. Other revenue sources such as member assessments, investment income and miscellaneous revenues not properly included among program revenues, are reported as general revenues.

Separate financial statements are provided for the governmental funds. The major individual governmental funds are reported in separate columns in the fund financial statements.

KEYSTONE EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Fund Financial Statements

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

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

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

Nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. For example, a special revenue fund is used to account for the proceeds of specific revenue sources (other than capital projects or permanent funds) that are restricted by law or administrative action to expenditures for specified purposes. The Collaborative determined it has no nonmajor governmental funds.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net position and changes in net position presented in fiduciary fund statements. The Collaborative determined it has no fiduciary fund statements.

C. Measurement Focus/Basis of Accounting

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

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

Governmental and fiduciary fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The Collaborative applies the susceptible-to-accrual criteria to inter-governmental revenues. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Collaborative; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually recoverable only for failure to comply with prescribed requirements. These resources are reflected as revenue when cash is received, or earlier if the susceptible-to-accrual criteria are met.

Expenditures are recorded when the liability is incurred except for 1) interest on long-term debt, which is recorded when due; and 2) claims, judgments, and compensated absences, all of which are recorded as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources.

The Collaborative reports the following funds as major governmental funds:

- The general fund is the Collaborative's primary operational fund. It accounts for all financial resources except those required to be accounted for in a separate fund.
- The capital reserve fund is used for the acquisition, maintenance, and improvement of capital assets including real property and equipment, pursuant to an established capital plan in accordance with 603 CMR 50.07 (10).

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

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Amounts reported as program revenues include 1) charges for services provided, and 2) operating grants and contributions. General revenues are those that cannot be associated directly with program activities.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and cash equivalents

The Collaborative considers cash and cash equivalents to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

F. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, employees generally are not compensated for unused sick and vacation leave. At June 30, 2023, there was no material unused vacation time.

G. Accounts Receivable

All assessments are shown net of any allowance for doubtful accounts. Member assessments are assessed on August 1 every year. Bills are sent quarterly and are due on August 1, November 1, March 1, and May 1, or thirty days subsequent to the mailing date.

H. Pension Plans

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

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I. Net Position and Fund Balances

Net position is reported as restricted when amounts are specified by outside parties for a specific future use. The Collaborative has net position restricted for various specific purposes due to donor intent.

The following fund balance classifications describe the relative strength of the spending constraints:

- “Nonexpendable” – Represents amounts that are not in spendable form.
- “Restricted” – Represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- “Committed” – Represents amounts that can be used only for specific purposes imposed by a formal action of the Board of Directors, which is the highest level of decision-making authority for the Collaborative. Committed amounts may be established, modified, or rescinded only through actions approved by the Board of Directors.
- “Assigned” – Represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes.
- “Unassigned” – Represents the residual fund balance for the general fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts. In circumstances when an expenditure is made for the purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

J. Deferred Revenue

Deferred revenue consists of funds received in advance for tuition and service credits for paid tuition not yet used.

K. Capital Assets

Equipment and other fixed assets are capitalized when the initial cost is \$5,000 or greater and the estimated useful life in excess of two years. Assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated lives of the assets.

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Estimated useful lives are as follows:

Leasehold Improvements	15 Years
Furniture and Equipment	5-10 Years

L. Accrued Expenses

Accrued expenses are primarily payroll that is paid over the summer.

M. Reconciliation of Government-Wide and Fund Financial Statements

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

N. Upcoming Accounting Pronouncements

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

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

2. PENSION PLANS

Massachusetts State Employees' Retirement System

Plan Description - The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost - sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*,

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covering substantially all employees of the Commonwealth and certain employees and retirees became members of MSERS upon the creation of MassDOT. Other employees who transferred to MassDOT had been, and remain, members of MSERS. MSERS is part of Commonwealth's reporting entity and does not issue a standalone audited financial report.

Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB) which consists of five members - two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer, and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB.

Benefits – MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) established uniform benefit and Contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation.

Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members of the system become fully vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement age is at 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

Contributions – Member contributions for MSERS vary depending on the most recent date of membership.

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

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Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives. The Commonwealth as a non-employer is legally responsible for the entire past service cost related to the Collaboratives and, therefore, has a 100% special funding situation. Therefore, the Collaborative does not report a liability for its proportionate share of the net pension liability.

The net pension liability of the Plan was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. The Collaborative's proportion of the net pension liability was based on the Collaborative's and related Commonwealth's share of actual contributions to the pension plan relative to the actual contributions of all participating governmental entities, adjusted for any non-employer contributions. At June 30, 2023, the Collaborative's proportion was .03910%, which was an increase of .0074% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Collaborative recognized pension expense of \$1,499,756, including an expense and related on behalf of revenue by the Commonwealth of \$427,483.

Massachusetts State Employees' Retirement Plan as a Whole

The following table summarizes the changes in deferred outflows of resources of the Plan excluding employer specific amounts (change in proportion) (amounts in thousands):

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Deferred Outflows of Resources:				
Difference between expected and actual experience	\$ 360,123	\$ 160,909	\$ (175,018)	\$ 346,014
Change of assumptions	<u>711,500</u>	<u>-</u>	<u>(328,559)</u>	<u>382,961</u>
Total deferred outflows of resources	<u>1,071,623</u>	<u>60,909</u>	<u>(503,557)</u>	<u>728,975</u>
Deferred Inflows of Resources:				
Difference between expected and actual experience	<u>(755,597)</u>	<u>-</u>	<u>212,690</u>	<u>(542,907)</u>
Net differences between projected and actual earnings on plan investments	<u>(4,091,725)</u>	<u>3,780,473</u>	<u>237,096</u>	<u>(74,156)</u>
Total deferred inflows of resources	<u>\$ (4,847,322)</u>	<u>\$ 3,780,473</u>	<u>\$ 449,786</u>	<u>\$ (617,063)</u>

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Amounts reported as deferred outflows of resources related to pensions will be recognized in the collective pension expense as follows (amounts in thousands):

Fiscal Year ending June 30, 2023	
2023	\$ 82,789
2024	(\$ 159,678)
2025	(\$ 596,848)
2026	<u>785,649</u>
New Outflows of Resources	<u>\$ 111,912</u>

Actuarial Assumptions – The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. This valuation used the following assumption:

1. (a) 7% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (3) cost of living increase on the first \$13,000 per year.

Salary increases are based on analyses of past experience but range from 4.00% to 9.00% depending on group and length of service.

2. Mortality rates were as follows:

- Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward one year for females.
- Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year for females.
- Disability – the morality rate reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward one year.

3. Experience studies were performed as follows:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Long-Term Expected Rate of Return – Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term

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expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Target Asset Class</u>	<u>Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	39.00%	4.80%
Core Fixed Income	15.00%	0.70%
Private Equity	13.00%	8.20%
Portfolio Completion Strategies	11.00%	3.20%
Real Estate	10.00%	3.50%
Value Added Fixed Income	8.00%	4.20%
Timber/Natural Resources	<u>4.00%</u>	4.10%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – the following presents the State's proportionate share of the net pension liability associated with the Collaborative calculated using the discount rate of 7%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6%) or 1 percent point higher (8%) than the current rate.

	<u>1% Decrease to 6%</u>	<u>Current Discount Rate 7%</u>	<u>1% Increase to 8%</u>
State's proportionate share of the net pension liability with the Collaborative	\$ 19,184,883	\$ 13,909,874	\$ 9,446,450

Massachusetts Teachers' Retirement System:

Plan Description - The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-

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employer defined benefit plan, as described in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees.

The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), town, regional school districts, charter schools, educational Collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members - two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits – MTRS provided retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) established uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2021, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation

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1975 – 1983	7% of regular compensation
1984 – 6/30/1996	8% of regular compensation
7/1/1996 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of Acts 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Pension Liabilities, Pension Expense and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The Commonwealth is a non-employer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB State No. 68, *Accounting and Financial Reporting for Pensions*, and the Commonwealth is a non-employer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer. At June 30, 2021, the Collaborative's proportionate share of the Plan's net pension liability was 0.053751%, which was an increase of 0.00881% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2023, the Collaborative recognized a pension expense and on behalf of revenue of \$1,449,756

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Deferred Outflows of Resources:				
Difference between expected and actual experience	\$ 399,866	\$ -	\$ (112,314)	\$ 287,552
Change of assumptions	<u>1,877,366</u>	<u>-</u>	<u>(659,350)</u>	<u>1,218,016</u>
Total deferred outflows of resources	<u>2,277,232</u>	<u>-</u>	<u>(771,663)</u>	<u>1,505,569</u>
Deferred Inflows of Resources:				
Difference between expected and actual experience	<u>(466,673)</u>	<u>(384,483)</u>	<u>157,504</u>	<u>(693,652)</u>
Net differences between projected and actual earnings on plan investments	<u>(4,201,387)</u>	<u>3,918,305</u>	<u>236,651</u>	<u>(46,431)</u>
Total deferred inflows of resources	<u>\$ (4,668,060)</u>	<u>\$ 3,533,822</u>	<u>\$ 394,155</u>	<u>\$ (740,083)</u>

Massachusetts Teacher's Retirement Plan as a Whole (in thousands)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions of the Plan will be recognized in the collective pension expense as follows (amounts in thousands):

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2023	341,718
2024	73,035
2025	(332,143)
2026	746,488
2027	(63,612)
Thereafter	<u>-</u>
Net outflows of Resources	<u>765,486</u>

Actuarial Assumptions – The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. This valuation used the following assumptions:

1. (a) 7% investment rate of return, (b) 3.50% rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement – Reflects RP-2014 While Collar Employees Table projected generationally with MP-2016 (gender distinct).
 - Post-retirement – Reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with MP-2016 (gender distinct).
 - Disability – Assumed to be in accordance with the RP-2014 White Collar healthy Annuitant Table projected generationally with Scale MP-2016.
4. Experience study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

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

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<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	39.00%	4.8%
Core Fixed income	15.00%	0.7%
Private Equity	13.00%	8.2%
Portfolio Completion Strategies	11.00%	3.2%
Real Estate	10.00%	3.5%
Value Added Fixed Income	8.00%	4.2%
Timber/Natural Resources	<u>4.00%</u>	<u>4.1%</u>
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. CAPITAL ASSETS

Capital assets for the year ended June 30, 2023:

	Beginning Balance	Acquisitions (Disposals)	Balance 6/30/2023
Capital Assets			
Vehicles	\$ 209,302	\$ (53,327)	\$ 155,975
Leasehold Improvements	221,644	-	221,644
Buildings	694,885	193,867	888,752
Land	<u>290,508</u>	<u>-</u>	<u>290,508</u>
Total Capital Assets	<u>1,416,339</u>	<u>140,540</u>	<u>1,556,879</u>
Less Accumulated Depreciation for:			
Vehicles	94,736	(22,132)	72,604
Leasehold Improvements	150,239	30,373	180,612
Buildings	<u>9,927</u>	<u>28,277</u>	<u>38,204</u>
Total Accumulated Depreciation	<u>254,902</u>	<u>36,518</u>	<u>291,420</u>
Total Capital Assets, Net	<u>\$ 1,161,437</u>	<u>\$ 104,022</u>	<u>\$ 1,265,459</u>

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Depreciation expense for the year ended June 30, 2023 was \$89,845.

4. RELATED-PARTY TRANSACTIONS

The Collaborative rents classroom space from member municipalities at several locations using a one-year Space Use Agreement. Rent expense for these locations was \$224,927 for the year ended June 30, 2023.

5. CONTINGENCIES

In the normal course of operations, the Collaborative may be subject to certain claims and litigations. In the opinion of management, the outcome of any such matters will not have a material effect on the financial position of the Collaborative.

6. LEASE COMMITMENTS

The Collaborative leases classroom space from member municipalities, which are considered related parties, under operating leases which expire at various times through June, 2024. Lease payments under these leases was \$405,150 for the year ended June 30, 2023.

The Collaborative leases office space under an operating lease which expires in May of 2025. Lease payments were \$36,493 for the year ended June 30, 2023. The Collaborative also leases office equipment. Expense under these leases amounted to \$14,509 for the year ended June 30, 2023.

Future lease payments are as follows:

Fiscal Year	Equipment	Space	Total
2024	11,682	314,926	326,608
2025	10,080	87,823	97,903
2026	5,080	32,000	37,080
2027	3,060	-	3,060
Total	<u>29,902</u>	<u>434,749</u>	<u>464,651</u>

In accordance with GASB No. 87, "Leases," the Organization recorded lease liabilities at the present value of the future minimum lease payments. The corresponding assets are being amortized on a straight-line basis over term of the leases. Below is the amortization schedule for the remaining lease terms.

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Lease amortization schedule:

Fiscal Year	Cash Lease Payment	Interest Expense	Liability reduction	Liability Balance	Lease Expense Straight Line	Asset Balance	Accumulated Amortization
Prior Periods	630,051	106,586	523,425	-	558,614	-	558,614
2024	326,608	27,050	299,598	127,278	279,309	112,377	837,923
2025	97,903	8,001	89,902	37,376	79,128	33,249	917,051
2026	37,080	2,438	34,642	2,734	30,762	2,487	947,813
2027	3,060	326	2,734	(0)	2,487	-	950,300
Total	<u>1,094,702</u>	<u>144,401</u>	<u>950,301</u>	-	<u>950,300</u>		

7. RISK FINANCING

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

8. FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Capital Reserve</u>	<u>Total</u>
Committed:	\$ -	662,355	\$ 662,355
Assigned	199,920		199,920
Unassigned:	<u>1,283,683</u>	<u>-</u>	<u>1,283,683</u>
Total Fund Balances	<u>\$ 1,483,603</u>	<u>\$ 662,355</u>	<u>\$ 2,145,958</u>

9. CUMULATIVE SURPLUS

The following is the calculation of the cumulative surplus as of June 30, 2023 which is less than the 25% of general fund expenditures.

**KEYSTONE EDUCATIONAL COLLABORATIVE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

FY23 Cumulative Surplus Calculation Worksheet		KEYSTONE	
Enter values below			Page in FY23 FS ²
(A) Voted Cumulative Surplus as of 6/30/22	\$ 2,054,455		(A) _____
(B) Amount of (A) used to support the FY23 Budget	(B)1 \$ 		
Amount of (A) returned to member districts	(B)2 \$ -		
(B)1 + (B)2 = (B) \$ - (B)			
(C) Unexpended FY23 General Funds	\$ -340,504		(C) 9
(D) Cumulative Surplus as of 6/30/23	(A) - (B) + (C) = (D) \$ 1,713,951	(D)	
(E) FY23 Total General Fund Expenditures	\$ 12,921,830		(E) 9
(F) Cumulative Surplus Percentage	(D) ÷ (E) 13.26%	(F) _____	

10. EVALUATION OF SUBSEQUENT EVENTS

The Collaborative has evaluated subsequent events occurring through December 7, 2023, the date the financial statements were available to be issued. The management of the Collaborative is aware of one subsequent event that would require recognition or disclosure in the financial statements.

The Collaborative received a construction loan in the amount of \$5,377,000 from Main Street Bank in order to purchase the building at 143 Joslin Street, Leominster, MA and to develop the property. The property was purchased on July 12, 2023 for \$1,950,000. The interest rate on the loan is 6.25% with payments beginning on August 12, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

KEYSTONE EDUCATIONAL COLLABORATIVE
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2023

	June 30, 2023		June 30, 2022		June 30, 2021		June 30, 2020		June 30, 2019	
	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS	MTRS	MSERS
Contractually required contribution	\$ 1,162,529	\$ 154,037	\$ 939,828	\$ 149,939	\$ 698,131	\$ 133,806	\$ 626,455	\$ 121,236	\$ 579,452	\$ 110,644
Contributions in relation to the contractually required contribution	\$ 1,162,529	\$ 154,037	\$ 939,828	\$ 149,939	\$ 698,131	\$ 133,806	\$ 626,455	\$ 121,236	\$ 579,452	\$ 110,644
Contribution deficiency (excess)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ -	\$ 2,525,197	\$ -	\$ 2,458,016	\$ -	\$ 2,193,541	\$ -	\$ 1,987,475	\$ -	\$ 1,813,836
Contributions as a percentage of covered-employee payroll	0%	6.1%	0%	6.1%	0%	6.1%	0%	6.1%	0%	6.1%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2023, 2022, 2021, 2020 and 2019.

Schedule Presentation

This schedule is intended to present information for 4 years.

Contributions

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

Bruce D. Norling, CPA, P.C.

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

To the Board of Directors
Keystone Educational Collaborative
Shirley, MA

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 of Keystone Educational Collaborative, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated December 7, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Collaborative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Collaborative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bruce D. Norling, CPA, P.C

Sudbury, Massachusetts
December 7, 2023