



SOUTH SHORE EDUCATIONAL COLLABORATIVE

REPORT ON THE MASSACHUSETTS EDUCATION COLLABORATIVE FINANCIAL REVIEW

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About the Financial Review

The Massachusetts Department of Elementary and Secondary Education (Department) is responsible for overseeing the governance and compliance of the Commonwealth's education collaboratives (collaboratives). Included in the oversight is the Department's obligation to conduct a financial review of each collaborative's fiscal condition and operations once every six (6) years as outlined in M.G.L. c. 40, § 4E and 603 CMR 50.00. Collaboratives are public entities, formed by their member districts to pool education resources and provide services and programs in a cost-effective manner. This review protocol (protocol) is intended to serve as a resource for collaborative leaders, Department staff, and contractors conducting reviews on behalf of the Department.

The financial review (review) is an important part of ensuring the accountability and transparency of collaboratives' operations and activities and one method by which the Department examines the policies of each collaborative and informs collaborative boards and member districts about the collaborative's financial condition. The review criteria (criteria), established by the Department, is based on best practices, coupled with requirements, and form the foundation of the review process and are the basis upon which this protocol was written. The purpose of the review is to gather and document evidence about a collaborative's fiscal condition as compared to criteria established by the Department. A strong fiscal condition for a collaborative indicates that the organization is stable, financially healthy, and capable of meeting its financial obligations while maintaining sustainable and successful operations. The review will be carried out in accordance with the criteria and scope established by the Department and outlined in protocol and repeated in this report.

Financial Review Dashboard – Results

CRITERIA	Indicator of Success
Criterion 1: Sufficient and Diverse Funding Sources	 Met
Criterion 2: Consistent and Stable Revenue Stream	 Met
Criterion 3: Adequate Cash Flow	 Met
Criterion 4: Adequate Cumulative Surplus	Not Rated¹
Criterion 5: Adequate Capital Plan and Capital Reserves	 Met
Criterion 6: Low Debt and Liabilities	 Met
Criterion 7: Effective Budgeting and Financial Management	 Partial
Criterion 8: Transparency and Accountability	 Met
Criterion 9: Strong Governance and Leadership by the Collaborative Board	 Partial
Criterion 10: Compliance with Legal and Regulatory Requirements	 Met
Criterion 11: Documented Internal Control Systems	 Met
Criterion 12: Human Resource Policies, Professional and General Liability Insurance	 Met

¹At the time of this review, the August 2021 cumulative surplus guidance was being reviewed for clarity and consistency with statute and regulation. As a result, this criterion is not rated.

CRITERION 1: SUFFICIENT AND DIVERSE FUNDING SOURCES

The collaborative should have diverse and sufficient funding sources, including but not limited to tuitions and assessments from member districts, tuitions, assessment, and/or surcharges from non-member districts, and may include funds from grants and contracts. Over-reliance on one revenue source may lead to financial instability. This could put the collaborative at risk if any given funding source were threatened or discontinued or if member districts are not requiring the services of the collaborative and are supplementing the non-member districts.

Indicators:

- 1.1** Evidence that the collaborative has a diverse mix of funding sources. This could be from a mix of revenue from various member districts or a mix of revenue from member and non-member districts, grants and other sources (without depending too heavily on one funding source).
- 1.2** Percentage and amount of revenues for each of the past five fiscal years, from member districts.
- 1.3** Percentage and amount of revenues for each of the past five fiscal years, from non-member districts.
- 1.4** Percentage and amount of federal and state grant revenues for each of the past five fiscal years.
- 1.5** Percentage and amount of other sources of revenue for each of the past five fiscal years.
- 1.6** Percentage and amount of private/philanthropic grant revenues for each of the past five fiscal years.

Analysis:

1.1 The reviewer will evaluate the primary revenue sources for the collaborative and calculate the percentage of revenues from member districts (**1.2**), non-member districts (**1.3**), grants (**1.4**, **1.6**), and other sources (**1.5**) over the past five fiscal years. If the collaborative relies heavily on one funding source, it could indicate that they are vulnerable to changes or uncertainties related to that source. Shifts in revenue trends over five fiscal years could highlight vulnerabilities such as shifts from member to non-member district revenue.

The reviewer will document any observed threats to current revenue sources such as changes in grant opportunities, unexpected program changes or a shift in revenue derived from member districts (from interviews and analysis of **1.1 – 1.6**).

The reviewer will obtain the revenue projections and evaluate the management processes for making projections of future revenue sources/streams (from interviews and analysis of future revenue projections).

1.1 – 1.5 The reviewer will review the mix of funding sources (members, non-members, grants, etc.) to assess the sufficiency of the collaborative's revenue streams.

1.6 The reviewer will inquire if the collaborative received or has any plans to apply for additional private/philanthropic grant revenues.

Results:

1.1 Met Table 1.1 shows the collaborative’s primary revenue sources for fiscal years 2020 through 2024. There were no known threats to current revenue sources. The collaborative projects revenue for one fiscal year while compiling the subsequent year budget.

Table 1.1

Revenue Sources	2020		2021		2022		2023		2024	
Central Administration	\$ 24,572	0.1%	\$ 33,857	0.1%	\$ 532,297	1.9%	\$ 119,331	0.4%	\$ 186,523	0.6%
Ancillary Services	507,594	1.7%	508,929	1.7%	667,266	2.4%	664,668	2.3%	251,874	0.8%
Tuition:										
Summer Tuition:										
Mini School - Summer	629,651	2.1%	471,718	1.6%	573,642	2.1%	485,081	1.7%	554,524	1.8%
Quest Elementary/Middle School - Summer	548,744	1.8%	427,160	1.4%	445,487	1.6%	544,086	1.9%	524,364	1.7%
South Shore High School - Summer	147,329	0.5%	213,565	0.7%	256,082	0.9%	220,805	0.8%	131,010	0.4%
Summer	1,035,789	3.4%	705,876	2.4%	942,233	3.4%	1,035,040	3.6%	1,082,326	3.5%
Careers High School - Summer	123,880	0.4%	155,045	0.5%	138,117	0.5%	97,657	0.3%	126,453	0.4%
Total Summer Tuition	2,485,393		1,973,364		2,355,561		2,382,669		2,418,677	
School Year Tuition:										
Mini School - School Year	4,661,638	15.2%	4,148,198	13.9%	4,489,369	16.2%	4,231,838	14.5%	4,827,194	15.8%
Quest Elementary/Middle School - School Year	4,484,850	14.6%	4,285,234	14.4%	4,330,732	15.7%	4,739,280	16.3%	4,892,558	16.0%
South Shore High School - School Year	2,492,283	8.1%	2,550,570	8.5%	2,912,198	10.5%	2,799,821	9.6%	2,808,363	9.2%
Community School - School Year	8,197,493	26.8%	7,629,997	25.6%	7,913,440	28.6%	8,375,656	28.7%	8,425,879	27.6%
Careers High School - School Year	1,573,448	5.1%	1,590,538	5.3%	1,452,889	5.3%	1,579,808	5.4%	1,559,547	5.1%
Total School Year Tuition	21,409,712		20,204,537		21,098,628		21,726,403		22,513,541	
Total Tuition	23,895,105		22,177,901		23,454,189		24,109,072		24,932,218	
Operating grants and contributions	29,107	0.1%	36,879	0.1%	147,514	0.5%	279,421	1.0%	154,168	0.5%
Investment income	5,320	0.0%	1,124	0.0%	1,029	0.0%	37,898	0.1%	213,798	0.7%
Other revenue	54,592	0.2%	7,979	0.0%	27,959	0.1%	25,924	0.1%	-	0.0%
Intergovernmental/ On-behalf Payment	6,126,687	20.0%	7,083,953	23.7%	2,833,627	10.2%	3,915,094	13.4%	4,833,603	15.8%
Total Revenue	\$ 30,642,977	100.0%	\$ 29,850,622	100.0%	\$ 27,663,881	100.0%	\$ 29,151,408	100.0%	\$ 30,572,184	100.0%

The collaborative’s school year tuition revenue has consistently been the most significant revenue source followed by intergovernmental/on behalf payments and then by the collaborative’s summer tuition. Total school year and summer tuition ranged between 74.3% to 84.8% with the lower range occurring in 2021 and the higher range occurring in 2022.

The collaborative’s teachers and retired teachers’ pensions are covered under the Massachusetts Teachers’ Retirement System (MTRS) while all other employees and retirees are covered under the Massachusetts State Employees’ Retirement System (MSERS). Included in the intergovernmental/on behalf payments revenue source is a

special funding situation when 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. The MTRS total is based on each employer's covered payroll as a percentage of the total covered payroll. The MSERS total is based on a rate established by the Public Employees' Retirement Administration Commission and is a percentage of covered payroll. The collaborative has no influence over these amounts as they are actuarially determined. The on-behalf payment is presented as equal amounts to both revenue and expenditures.

1.1 – 1.5 Met As evidenced in Table 1.1, the collaborative has had a diverse revenue stream and sufficient funding sources without over reliance on one revenue or any other threat that could lead to financial instability. These revenue sources have been consistent in fiscal years 2020 through 2024.

1.6 Met The collaborative has no plans to apply for private/philanthropic grant revenue sources.

CRITERION 2: CONSISTENT AND STABLE REVENUE STREAM

A strong financial condition involves consistent revenue generation. This can be achieved through stable enrollment and program utilization.

Indicators:

2.1 Evidence of consistent revenue generation through stable enrollment in collaborative programming.

2.2 Evidence that management monitors program utilization and reacts timely to change programming, as necessary.

Analysis:

2.1 The reviewer will determine if enrollment has trended down or up in collaborative programs over the past five fiscal years.

2.2 The reviewer will determine if the collaborative monitors program utilization to ensure that resources are allocated efficiently and adapts to changing circumstances by adjusting programs accordingly.

Results:

2.1 Met The documentation provided shows overall enrollment in both the school year enrollment and the summer enrollment have trended down since 2020. The school year enrollment was 354.6 students in 2020 and 315.8 students in 2024 which was a decrease of 38.8 students of 11%. The summer enrollment was 306.0 students in 2020 and 267.0 students in 2024 which is a decrease of 39.0 students or 13%. Coming out of the COVID-19 pandemic, the collaborative had hiring struggles for many positions but specifically for paraprofessionals who make up about 40-50% of the collaborative's overall staffing because of the students' high level of need. Being unable to fill these positions made taking referrals extremely challenging and led to the collaborative's inability to replace graduating students and ultimately the stagnation and decline in

enrollment. In FY25, the collaborative made significant progress in hiring and the collaborative increased student enrollment by just under 15 FTEs.

Tables 2.1

School Year Enrollment	2020	2021	2022	2023	2024	Trend
Mini School	73.8	65.6	65.4	61.6	63.0	
Quest Elementary/Middle School	77.2	70.0	66.7	70.3	67.2	
South Shore High School	51.5	53.6	58.9	56.4	49.6	
Community School	120.1	115.5	110.1	120.4	108.2	
Careers High School	32.0	34.0	27.1	28.2	27.8	
Total	354.6	338.7	328.3	336.8	315.8	

Summer Enrollment	2020	2021	2022	2023	2024	Trend
Mini School	74.0	64.0	67.0	55.0	62.0	
Quest Elementary/Middle School	64.0	53.9	56.0	59.0	60.0	
South Shore High School	25.0	31.0	42.0	33.0	18.0	
Community School	125.0	77.0	110.0	109.0	109.0	
Careers High School	18.0	22.0	25.0	13.0	18.0	
Total	306.0	247.9	300.0	269.0	267.0	

2.2 Met The collaborative continuously monitors enrollment and adjusts the budget throughout the year to reflect these changes.

CRITERION 3: ADEQUATE CASH FLOW

Positive cash flow indicates that the collaborative's cash on hand is sufficient to meet obligations as they come due, allowing the collaborative to pay bills timely without the need to borrow for operating costs.

Indicators:

3.1 Evidence of adequate cashflow to support current operations without the need to borrow for operations.

Analysis:

3.1(a) The reviewer will evaluate the collaborative's five-year history of managing cashflow and the process for managing cashflow and whether management has any issues or concerns regarding future cashflows through the interview process.

3.1(b) The reviewer will determine, to the extent possible, if management has borrowed for operating cashflow in any of the past five years through a review of

financial statements.

3.1(c) The reviewer will evaluate, to the extent possible, whether the collaborative has found it necessary to postpone paying any obligations due to inadequate cash on hand, for the past five fiscal years. This will primarily be done through the interview process and a review of the audit reports.

Results:

3.1(a) Met The collaborative’s cash balance at the end of each fiscal year based on the audited financial statements are presented in Table 3.1.

Table 3.1

Cash	2020	2021	2022	2023	2024
Governmental Funds	\$ 2,474,964	\$ 2,624,797	\$ 3,117,670	\$ 2,451,847	\$ 2,516,795
OPEB Trust Fund	602,817	963,114	969,607	1,185,745	1,332,605
Total Cash	\$ 3,077,781	\$ 3,587,911	\$ 4,087,277	\$ 3,637,592	\$ 3,849,400

3.1(b) Met The collaborative did not need to borrow to fund operating cashflows in any of the past five fiscal years.

3.1(c) Met There was no evidence of the collaborative postponing payment due to inadequate cash flows in the past five fiscal years.

CRITERION 4: ADEQUATE CUMULATIVE SURPLUS

The collaborative should maintain a sufficient operating reserve to cover unexpected expenses or revenue fluctuations. Cumulative surplus is the unexpended general fund balance that may be carried forward by the collaborative. Cumulative surplus is limited to 25 percent of the previous fiscal year’s general fund expenditures.

Cumulative surplus acts as a safety net during challenging financial times and ensures the collaborative's ability to meet its financial obligations in the event of unexpected revenue fluctuations.

Indicators:

- 4.1** Reported cumulative surplus and percentage of prior year expenditures for each of the past five years.
- 4.2** Compliance – cumulative surplus is 25 percent or less of prior year expenditures, each year.
- 4.3** Evidence that a collaborative estimates the cumulative surplus as prescribed by the Department of Elementary and Secondary Education (Department) prior to the annual audit and knows the approximate number well before the date it is voted by the board of directors and uses this information to plan for the subsequent fiscal year.
- 4.4** Evidence that the collaborative has written policies and procedures for utilizing or maintaining cumulative surplus.

Analysis:

- 4.1 The reviewer will record and evaluate the collaborative’s cumulative surplus over the previous five fiscal years.
- 4.2(a) The reviewer will verify whether the collaborative recorded an excess cumulative surplus (above 25 percent of prior year expenditures) at any time during the past five fiscal years.
- 4.2(b) The reviewer will evaluate the collaborative’s uses of cumulative surplus over the past five fiscal years.
- 4.3(a) The reviewer will evaluate if the collaborative has systems in place to accurately project cumulative surplus during the year and prior to the close of the fiscal year.
- 4.3(b) The reviewer will evaluate the collaborative’s process for calculating the cumulative surplus.
- 4.4 The reviewer will confirm that the collaborative has and follows written policies and procedures for utilizing or maintaining cumulative surplus.

Results:

4.1 **Not Rated** The following Chart 4.1 displays the total cumulative surplus, the total general fund expenditures, the cumulative surplus percentage, and the 25 percent cumulative surplus threshold per 603 CMR 50.00.

Chart 4.1

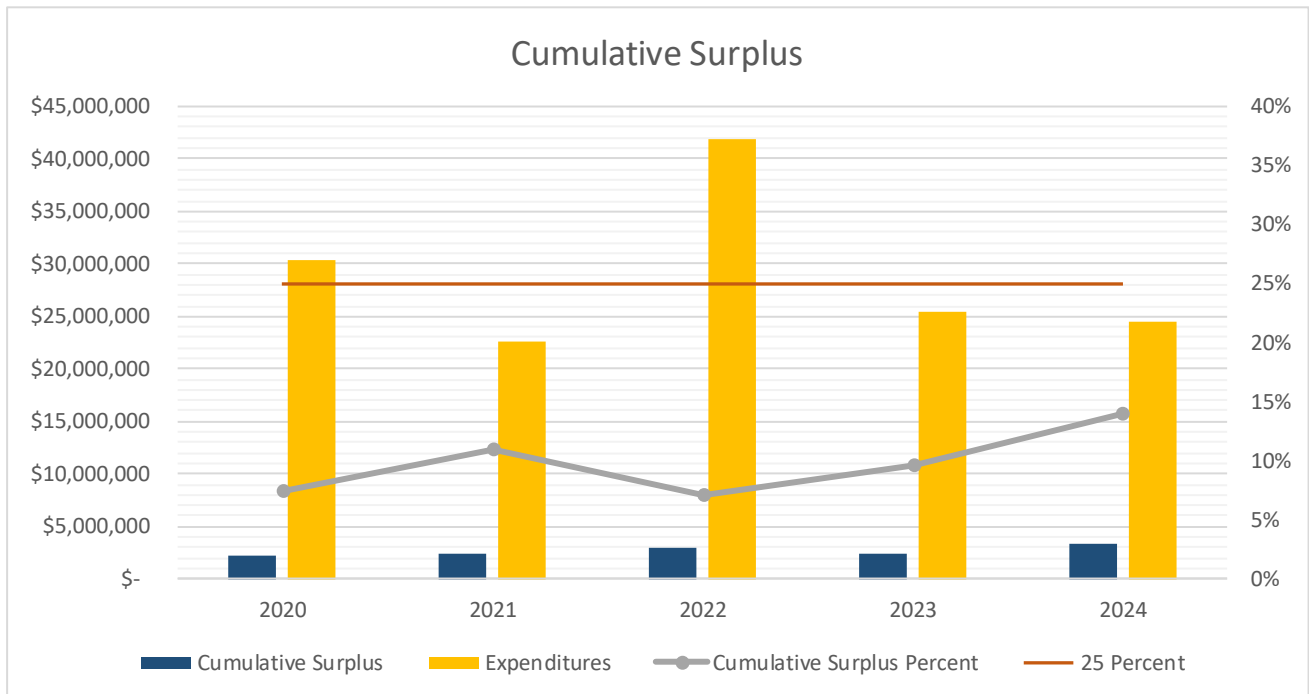


Table 4.1

Cumulative Surplus	2020	2021	2022	2023	2024
Cumulative Surplus	\$ 2,274,785	\$ 2,482,756	\$ 2,937,559	\$ 2,427,510	\$ 3,414,374
Expenditures	\$ 30,355,609	\$ 22,513,844	\$ 41,811,651	\$ 25,441,019	\$ 24,497,548
Cumulative Surplus Percent	7.49%	11.03%	7.03%	9.54%	13.94%

4.2(a) Not Rated The collaborative’s cumulative surplus percentage did not exceed 25 percent in the last five fiscal years. At the time of this review, the August 2021 cumulative surplus guidance was being reviewed for clarity and consistency with statute and regulation.

4.2(b) Met The collaborative has not voted on returning any cumulative surplus funds to member districts. The collaborative’s cumulative surplus did not exceed 25 percent in the last five fiscal years, deeming it not necessary to vote on returning any cumulative surplus funds to member districts.

4.3(a) Met The collaborative estimates their cumulative surplus throughout the year, and they utilize their general ledger software, and a budget to actual report to determine surplus funds in their general fund.

4.3(b) Not Rated At the time of this review, the August 2021 cumulative surplus guidance was being reviewed for clarity and consistency with statute and regulation.

4.4 Not Rated The collaborative has included written policies and procedures pertaining to cumulative surplus in their collaborative agreement. At the time of this review, the August 2021 cumulative surplus guidance was being reviewed for clarity and consistency with statute and regulation.

CRITERION 5: ADEQUATE CAPITAL PLAN AND CAPITAL RESERVES

The collaborative may choose to establish and maintain a capital reserve fund which includes a limit on the balance that may be held in the reserve pursuant to 603 CMR 50.00, and an approved capital plan to support costs associated with the acquisition, maintenance, and improvement of fixed assets, including real property. Establishing a capital reserve fund can ensure that the collaborative has funds readily available for capital expenditures. Collaboratives often manage various large assets such as buildings, technology, and equipment. A capital reserve can ensure that funds will be available to maintain and upgrade these assets when needed, ensuring their longevity and effectiveness.

Indicators:

5.1 Evidence of a written capital plan that is monitored and updated regularly (if applicable).

5.2 Evidence of the establishment of a capital reserve account with a maximum limit (if applicable).

5.3 Evidence of a process for the management and purchase of capital assets.

Analysis:

- 5.1(a), 5.2(a)** The reviewer will obtain and review evidence of the date of the approval and of the limit to any voted capital reserve account and the capital plan.
- 5.1(b), 5.2(b)** The reviewer will determine if the capital plan is used by management to determine the adequate level of capital reserves.
- 5.1(c)** The reviewer will determine and identify if the collaborative uses funds other than the capital reserve, such as borrowing or appropriations in the annual budget, to support the capital plan.
- 5.3** The reviewer will evaluate how the collaborative manages long-term capital asset maintenance and purchases.

Results:

- 5.1(a), 5.2(a) Met** The collaborative does not have a capital reserve account and a capital plan.
- 5.1(b), 5.2(b) Met** The collaborative revisits their capital needs as they are performing their strategic planning throughout the year.
- 5.1(c) Met** The collaborative leases space for classrooms and the administrative building. These lease payments are budgeted as part of their annual operating budget. The collaborative has a \$3 million line of credit with a local bank available to them and have not used any of the funds.
- 5.3 Met** The collaborative does not have a formal capital plan. They maintain a list of capital needs that they revisit throughout the year.

CRITERION 6: LOW DEBT AND LIABILITIES

Minimizing debt and liabilities is crucial for financial stability. Excessive debt can burden the collaborative's operating budget with high lease, interest and principal payments which will limit its budgetary flexibility.

Indicators:

- 6.1** Evidence of the percentage of debt and mortgage/lease expenditures to total expenditures.
- 6.2** Evidence of low overall outstanding debt.
- 6.3(a), (b)** Evidence of debt that is structured in a manner to require annual debt service payments that are reasonable and that will not impair the collaborative's ability to fund programs.

Analysis:

- 6.1** The reviewer will calculate the collaborative's debt and mortgage/lease expenditures as a percentage of the annual operating budget.
- 6.2** The reviewer will review financial policies for issuing debt to fund capital expenditures.

6.3(a) The reviewer will determine if the collaborative has a method for balancing debt service outpayments to maintain a consistent level of the operating budget.

6.3(b) The reviewer will review the debt out-payment schedules for any balloon payments or increasing debt service payments that could impact the collaborative's financial flexibility in the future.

Results:

6.1 Met In FY24, the collaborative paid \$1,698,500 on leases associated with classroom and administrative office spaces. This equated to 6.09% of the collaborative's FY24 original general fund operating budget. The collaborative does not have any other long-term debt.

6.2 Met The collaborative has included in their collaborative agreement, written policies and procedures pertaining to debt. This specifically includes that all debt for borrowing, loans, and mortgages are required to be discussed at a public meeting of the board of directors.

6.3(a) Met The collaborative budgets the lease payments as part of their operating budget every year. This is not an area they typically would adjust if needing to make any budget modifications.

6.3(b) Met The collaborative does not have any balloon payments on their current leases. The lease agreement is through June 30, 2033, with the next payment increase in July 2026. The classroom lease through Hull Public Schools is renewed annually.

CRITERION 7: EFFECTIVE BUDGETING AND FINANCIAL MANAGEMENT

A strong financial condition requires effective budgeting and ongoing budget monitoring. Collaboratives should create realistic budgets, monitor their financial performance regularly, and make adjustments when necessary to ensure financial sustainability. The collaborative should have a written process for obtaining budget amendments as needed throughout the year.

The collaborative should maintain an accounting system (general ledger) that accurately reflects the collaborative's financial condition and compliance with the adopted budget and other financial reporting requirements.

Indicators:

7.1 Evidence of an effective budget process that includes input from departments and member districts. The budget should align with the collaborative's goals and objectives and consider the collaborative's short-term and long-term financial needs.

7.2 Evidence that approved budgets are balanced (i.e., all appropriations are supported by estimated revenues and/or existing surplus funds) and that any budgetary amendments include funding sources.

- 7.3 Evidence that the general ledger is accurately maintained, up-to-date and can produce accurate and timely financial data. The approved budget should be reflected in the general ledger system.
- 7.4 Evidence that management evaluates budget performance throughout the year, reports budget performance to the board, and makes adjustments when necessary.
- 7.5 The collaborative should demonstrate fiscal responsibility by adhering to the budget, avoiding overspending, and controlling costs.
- 7.6 Evidence that the collaborative is effectively managing their Other Postemployment Benefit liability.

Analysis:

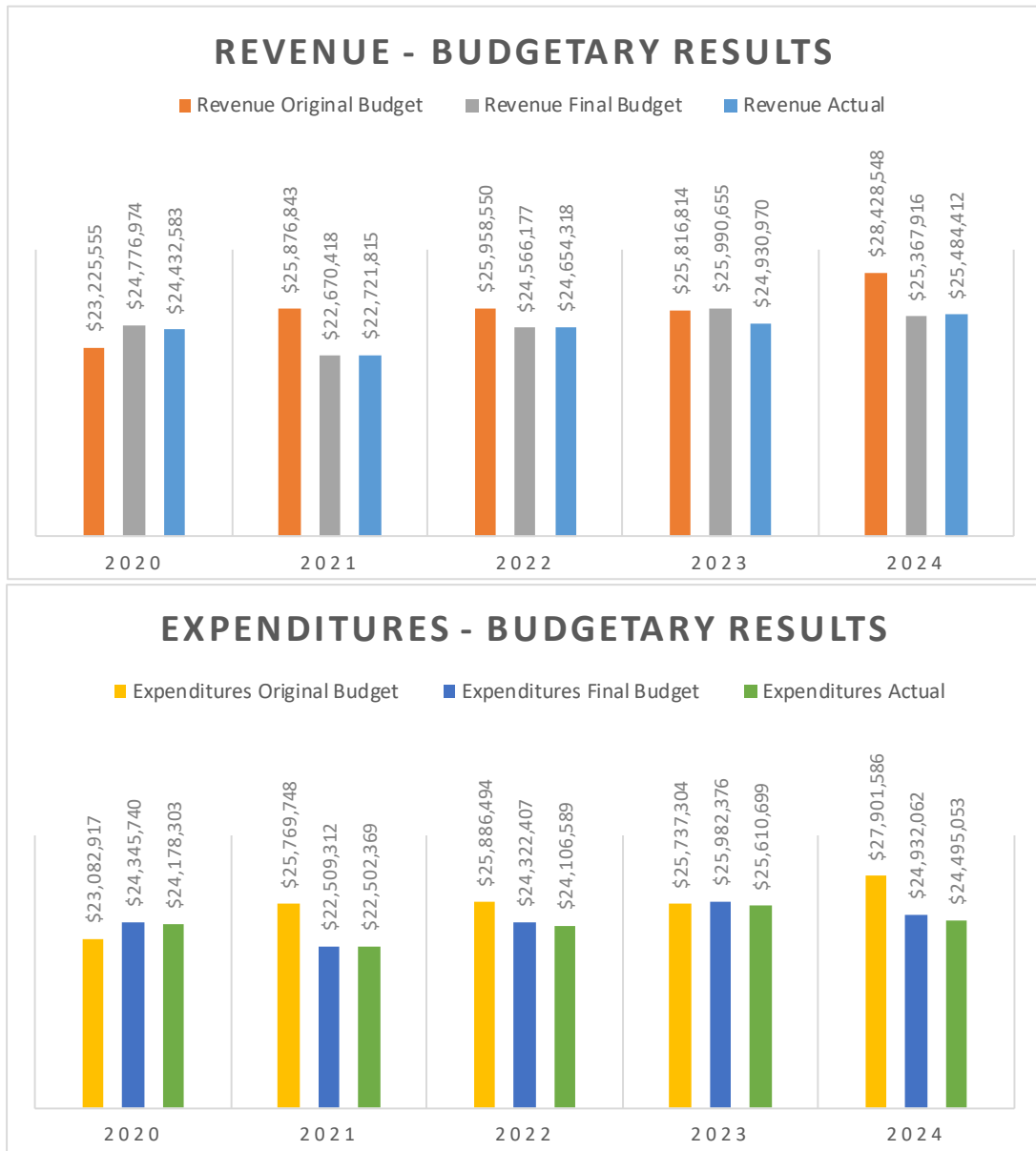
- 7.1 The reviewer will evaluate the collaborative's budget development and approval processes by gathering all relevant budget documents, including the approved budget and budgetary results provided in the audit report, the general ledger or in reports to the collaborative board.
- 7.2 The reviewer will verify that all appropriations are supported by realistic revenue sources. The estimated revenues should be based on past trends or currently known facts.
- 7.3 The reviewer will evaluate the collaborative's budgetary controls maintained through the general ledger system and the collaborative's ability to produce and report budget to actual data throughout the year (upon request).
- 7.4 The reviewer will assess the collaborative's process for evaluating and reporting budgetary results throughout the year.
- 7.5 The reviewer will review the budget to actual results for the past five fiscal years in the collaborative's audit reports to identify any expenditure categories that have been overspent in an effort to verify that controls to restrict overspending are working as designed.
- 7.6 The reviewer will complete the following regarding their Other Postemployment Benefit liability:
 - The reviewer will inquire regarding the extent to which the collaborative pays for health insurance to retirees.
 - The reviewer will determine if the collaborative has accepted the provisions of M.G.L. c. 32B § 20 allowing the collaborative to establish an Other Postemployment Benefit Trust Fund.
 - The reviewer will inquire and document if the Other Postemployment Benefit Trust Fund is managed by a trustee or a board of trustees.
 - The reviewer will inquire as to whether the duties and obligations of the trustee or board of trustees has been set forth in a declaration of trust adopted by the trustee or board of trustees consistent with M.G.L. c. 32B, § 20.

- The reviewer will inquire if the Other Postemployment Benefit Trust Fund monies are accounted for separately from other trust funds of the collaborative and are not subject to claims of any general creditor of the collaborative.

Results:

7.1 Met The collaborative has a set budget process that begins with drafting the budget in January and finalizing by early April. A draft budget is provided to the board for discussion and review in March. The end of March or early April, a preliminary annual budget is presented to the board for final approval. A copy of the final approved annual board budget is handed out at the May meeting. The actual results taken from the collaborative’s audited financial statements are presented in the following charts.

Charts 7.1



Tables 7.1

2020 Budgetary Results	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues	\$ 23,225,555	\$ 24,776,974	\$ 24,432,583	\$ (344,391)
Expenditures	23,082,917	24,345,740	24,178,303	167,437
Net Change in Fund Balance	\$ 142,638	\$ 431,234	\$ 254,280	\$ (176,954)

2021 Budgetary Results	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues	\$ 25,876,843	\$ 22,670,418	\$ 22,721,815	\$ 51,397
Expenditures	25,769,748	22,509,312	22,502,369	6,943
Net Change in Fund Balance	\$ 107,095	\$ 161,106	\$ 219,446	\$ 58,340

2022 Budgetary Results	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues	\$ 25,958,550	\$ 24,566,177	\$ 24,654,318	\$ 88,141
Expenditures	25,886,494	24,322,407	24,106,589	215,818
Net Change in Fund Balance	\$ 72,056	\$ 243,770	\$ 547,729	\$ 303,959

2023 Budgetary Results	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues	\$ 25,816,814	\$ 25,990,655	\$ 24,930,970	\$ (1,059,685)
Expenditures	25,737,304	25,982,376	25,610,699	371,677
Net Change in Fund Balance	\$ 79,510	\$ 8,279	\$ (679,729)	\$ (688,008)

2024 Budgetary Results	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues	\$ 28,428,548	\$ 25,367,916	\$ 25,484,412	\$ 116,496
Expenditures	27,901,586	24,932,062	24,495,053	437,009
Net Change in Fund Balance	\$ 526,962	\$ 435,854	\$ 989,359	\$ 553,505

7.2 Met The collaborative has had the same budgeted revenue sources the past five fiscal years. See Table 1.1 for the collaborative’s revenue sources. The change in the revenue budget each year is in line with the change in the expenditure budget.

7.3 Met The collaborative maintains their budget in BudgetSense, their general ledger system. The business manager is responsible for maintaining the budget in the general ledger. Any adjustments to the budget are put into the general ledger system by the business manager.

7.4 Met Per review of the board of directors meeting minutes, the business manager presents internally developed financial reports to the board of directors at every board meeting.

7.5 Partial In fiscal year 2023, the total actual expenditures exceeded the total actual

revenue by \$679,729. The collaborative adjusted their spending for this fiscal year resulting in actual expenditures lower than the total amount budgeted. Although the spending cuts did not completely cover the revenue deficits, management was aware of the revenue shortfalls and was able to maintain the overall impact to a reasonable level.

7.6 Met The collaborative pays 50% of the cost of medical insurance premiums for eligible retired plan members and their spouses. The collaborative has accepted M.G.L. c. 32B § 20 and established an Other Postemployment Benefit (OPEB) Trust Fund in January 2016. The trust is managed by a board of trustees who has adopted a declaration of trust. The collaborative accounts for these funds in a separate investment account.

CRITERION 8: TRANSPARANCY AND ACCOUNTABILITY

Financial transparency and accountability are key principles that guide collaboratives in their financial management and reporting practices.

Financial transparency refers to the openness and accessibility of the collaborative's financial information, allowing members to easily access, understand, and assess financial data. It involves providing clear financial information to the collaborative boards and member districts. Financial transparency is essential to build trust and confidence among member districts by ensuring that financial information is readily available, accurate, timely and used responsibly.

Financial accountability is the concept of taking responsibility for the use of financial resources and being accountable for the results and consequences of financial decisions.

Financial transparency and accountability go hand in hand, with transparency often being a means to achieve accountability.

Indicators:

- 8.1** Evidence of clear financial reporting mechanisms to the collaborative board.
- 8.2** Evidence of timely annual independent financial audits with unmodified audit opinions with limited management letter comments; the results of which are communicated to the board.
- 8.3** Evidence that findings or comments resulting from the audit are addressed in a timely manner.
- 8.4** Evidence that minutes of meetings and the results of annual audits are publicly available.

Analysis:

- 8.1** The reviewer will verify that quarterly reports are presented to the collaborative board.
- 8.2** The reviewer will verify that the results of the annual independent audits have been communicated to the collaborative board.
- 8.3** The reviewer will verify that any significant deficiencies or material weaknesses identified during the independent audit have been addressed and that corrective action plans have been written and implemented for any management letter comments.

8.4 The reviewer will verify that board meeting minutes, annual independent audits and annual reports are publicly available on the collaborative's website within a reasonable amount of time.

Results:

8.1 Met Per review of the board of directors meeting minutes, the collaborative provides internally developed financial reports to the board quarterly to bring back to their member districts.

8.2 Met The audit firm presents the results of the audit to the board every October through December. The board is provided with printed and electronic copies of the audit reports.

8.3 Met The collaborative's independent audits did not identify any significant deficiencies or material weaknesses.

8.4 Met The collaborative's website has the meeting minutes for the board of directors for the last ten fiscal years, independent audit report for the last eleven fiscal years, and the annual report for the last ten fiscal years.

CRITERION 9: STRONG GOVERNANCE AND LEADERSHIP BY THE COLLABORATIVE BOARD

Strong governance, led by competent and experienced leaders, can contribute to better financial decision-making and strategic planning, leading to a more financially stable collaborative. Strong governance refers to the system of decision-making, policy-setting, and oversight within the collaborative. The collaborative board is responsible for establishing policies, setting strategic goals and ensuring compliance with regulations.

Strong leadership involves management (executive director, business manager, and treasurer) guiding the stakeholders toward achieving the collaborative's goals. Financial conditions can fluctuate over time and maintaining a strong financial position requires ongoing monitoring, evaluation, and adaptation to changing circumstances by experienced and competent leaders. The collaborative board in conjunction with the executive director, business manager, and treasurer should regularly assess the collaborative's financial health and make necessary adjustments to achieve long-term sustainability and success.

Indicators:

9.1 Evidence that consistent and accurate financial reports are delivered to the board on a regular schedule and indication that the board is actively reviewing financial information and acting on financial trends, as necessary.

9.2 Evidence that the collaborative board fulfills all required duties and responsibilities as required by the regulations and the collaborative agreement. This includes evidence that each member school committee and charter school board received quarterly reports on collaborative business from their appointed representative to the collaborative board of directors and that they received the annual report and final audit.

9.3 Evidence that the collaborative board is conducting annual performance evaluations as required in the regulations.

Analysis:

- 9.1(a)** The reviewer will look at evidence that shows that the collaborative board is regularly assessing the collaborative's financial health and making necessary adjustments to achieve long-term sustainability and success. This will be done through the review of minutes and through interviews.
- 9.1(b)** The reviewer will verify that collaborative board members attend scheduled meetings and are active and engaged voting members of the collaborative board.
- 9.2** The reviewer will verify that collaborative board members fulfill duties as may be required by the regulations (603 CMR 50.00) and the collaborative agreement. This includes the appointed representative providing their school committee or charter school board at an open meeting the following:
- The annual report and the annual independent audit.
 - Quarterly information and updates about the collaborative's activities including, but not limited to, significant changes in programs, services, and budgets and any amendments to the collaborative agreement.
- 9.3** The reviewer will verify that the collaborative board conducts annual evaluations of the executive director and treasurer, and that the board ensures that the executive director performs an evaluation of the business manager.

Results:

- 9.1(a) Met** Per review of the board of directors meeting minutes, the executive director discusses the current state of the collaborative's operating budget at every board meeting. Any adjustments to the budget are put into the general ledger system by the business manager.
- 9.1(b) Met** The board of directors meeting minutes include an attendance and motion roll call votes for each of their board members. Per review of the calendar year 2022, 2023, and 2024 meeting minutes, the collaborative board members do attend scheduled meetings and are actively engaged voting members.
- 9.2 Not Met** The calendar year 2024 school committee meeting agendas and minutes were read in three randomly selected member districts. There was no evidence in the school committee agendas or minutes that any of the three member districts were reporting quarterly updates or presenting the collaborative's annual report and financial audit to their school committee. Of the three member districts selected, one member district presented the vote to appoint their representative board member. With this one exception, there was no evidence in the three member districts' school committee meeting agendas and minutes of any other communication from the appointed representative to their respective member district.
- 9.3 Met** The collaborative provided the annual evaluation the board of directors performed for the executive director and the treasurer. The collaborative provided the annual evaluation for the business manager.

CRITERION 10: COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

Compliance with all relevant financial regulations and reporting requirements ensures that the collaborative is operating within the bounds of the law and avoids potential penalties or legal issues. Massachusetts Education Collaboratives must follow, at a minimum, the requirements in M.G.L. c. 40 SS 4E, 603 CMR 50.00, and state public procurement laws.

Indicators:

- 10.1** The collaborative adheres to the financial requirements in M.G.L. c. 40, § 4E and 603 CMR 50.00.
- 10.2** Evidence that the collaborative has a finance team that has the skills, knowledge, and expertise to ensure that the collaborative is following the financial requirements of M.G.L. c. 40, § 4E and 603 CMR 50.00, and state procurement laws.
- 10.3** In any fiscal year that a collaborative spends \$750,000 or more in federal awards, a single audit in compliance with uniform guidance is required. The collaborative must have systems in place to accurately account for federal awards and to comply with federal award requirements.
- 10.4** The collaborative is required to adhere to Massachusetts procurement laws including M.G.L. c. 30B regarding public procurement of supplies and services and M.G.L. c. 149 § 44A through § 44J which covers building construction contracts. State procurement laws are extensive and complex and require specific training.

Analysis:

- 10.1** The reviewer will verify that the collaborative adheres to the financial requirements in M.G.L. c. 40, § 4E and 603 CMR 50.00.
- 10.2(a)** The reviewer will verify that the collaborative has policies and procedures that ensure compliance with state and federal procurement laws.
- 10.2(b)** The reviewer will verify that the collaborative has a system to ensure compliance with state and federal procurement laws.
- 10.3** The reviewer will verify that the collaborative has complied with the single audit requirements in any of the past five fiscal years that federal expenditures are \$750,000 or greater.
- 10.4** The reviewer will verify the following:
 - o If the collaborative has a designated procurement officer, do they have the MCPPO designation.
 - o If there are other individuals at the collaborative responsible for making final procurement decisions.

Results:

10.1 Met The collaborative adheres to the financial policies in M.G.L. c. 40, § 4E and 603 CMR 50.00:

- Financial Accounting System. The collaborative maintains their general ledger in BudgetSense.
- Education Collaborative Fund. The collaborative maintains their education collaborative funds in the general fund.
- Revenues. The collaborative receives tuition income as their main revenue source. Most of the collaborative's revenue sources are accounted for in the general fund.
- Purchasing. The business manager is the designated procurement officer and is in the process of becoming an MCPPO designation. All purchases/contracts subject to M.G.L. c. 30B go through the proper procurement process.
- Creating the Annual Budget. The executive director meets with all program directors/coordinators to review and produce a preliminary budget. In March, the executive director presents a draft budget to the board of directors.
- Approving the Collaborative Budget. The board of directors reviews the draft budget and discusses any necessary budget updates. Changes are made and then a final balanced budget gets approved by the board of directors at the end of March/early April.
- Amendments to Approved Budgets. Throughout the year, the collaborative monitors any changes in enrollment or revenue that would affect the budget. The executive director presents a financial update at every board meeting. Changes to the budget are voted by the board of directors and recorded to the general ledger by the business manager.
- Borrowing. The collaborative requires any borrowings to be approved by the board of directors.
- Limitation on Surplus Funds. The collaborative has not exceeded the 25 percent cumulative surplus in the past five years. Uses of the cumulative surplus funds are required to be voted by the board of directors. In the past five years, the collaborative has not had to use these funds.
- Capital. The collaborative does not have a capital reserve fund. The collaborative does not have a formal capital plan.
- Annual Financial Statements. The collaborative's financial statements for all five years include all necessary schedules.
- Audit. The collaborative had had an independent audit performed the last five fiscal years.

10.2(a) Met The collaborative has written policies and procedures to ensure compliance with state and federal procurement laws. The collaborative's purchasing policy specifically addresses the collaborative's requirement to follow the state's M.G.L. c. 149 and c. 30B along with required signatures for contracts and purchase orders.

10.2(b) Met The collaborative requires all purchases to be made using a purchase order system and must be approved by the executive director. When a purchase is needed, staff enters requisitions and submit them for approval in financial software. Approvals are made through the software electronically. Upon the executive directors' approval the requisition becomes an approved purchase order, and those funds are encumbered. The item or service is eligible to be ordered. Signed receiving slips or signed invoices for service are forwarded to accounts payable. Accounts payable compare the purchase order with the invoice. If all is in order, then the invoice is processed for payment through the warrant. If there is an issue, then the executive director revises the purchase order in the financial software. Checks are then mailed to vendors subject to release by the treasurer. The collaborative did not receive any federal funds.

10.3 Met The collaborative has not received or expended any federal funds in the last five fiscal years that would require a single audit.

10.4 Met The collaborative's business manager is the designated procurement officer and is in the process of receiving the MCCPO designation. The business manager and executive director make all final purchasing decisions.

CRITERION 11: DOCUMENTED INTERNAL CONTROL SYSTEM

Internal control is a set of processes, policies, and procedures implemented by an organization to safeguard its assets, ensure financial accuracy, promote efficiency, and comply with laws and regulations. Below are five commonly recognized sub-criteria or principles of internal control.

Control Environment: This criterion emphasizes the importance of establishing a positive and ethical control culture within the organization. It involves creating a tone at the top that sets the standard for ethical behavior, integrity, and accountability. A strong control environment encourages employees to follow established policies and procedures.

Risk Assessment: Organizations should identify and assess risks that could affect their ability to achieve their objectives. This involves evaluating both internal and external factors that may impact the organization. Effective risk assessment helps in prioritizing control activities and allocating resources appropriately.

Control Activities: Control activities are the specific policies, procedures, and practices put in place to mitigate risks and achieve organizational objectives. They include activities such as authorization processes, segregation of duties, reconciliation of accounts, and physical security measures. These controls help prevent errors, fraud, and inefficiencies.

Information and Communication: Effective internal control systems rely on timely, relevant, and accurate information. It is important to ensure that information flows throughout the organization, both vertically and horizontally, to support decision-making and control processes. Communication should be open and transparent, enabling employees to understand their roles and responsibilities regarding internal control.

Monitoring: Continuous monitoring and evaluation of internal controls are essential to ensure they remain effective over time. This includes regular assessments, audits, and

reviews of control activities. Monitoring helps identify weaknesses, deviations, or emerging risks so that corrective actions can be taken promptly to address them.

Indicators:

11.1 Evidence of a documented system of internal controls that addresses the listed criteria.

11.2 Evidence of documented control activities that specifically address:

- o Cash and Investments
- o Revenue and accounts receivable
- o Capital assets
- o Purchasing, disbursements and accounts payable, including payroll
- o Debt and other long-term liabilities
- o Fund equity and cumulative surplus
- o Budgetary controls
- o Journal entries
- o General ledger maintenance
- o Financial reporting

Analysis:

11.1, 11.2 The reviewer will evaluate the collaborative’s documentation of a system of internal controls and verify that the system is working as intended.

Results:

11.1, 11.2 Met The collaborative has documented their system of internal controls which specifically addresses the areas listed in indicator 11.2. The collaborative’s system of internal control appears to be working as intended per review of the system of internal controls documentation and comparing it to documentation provided along with interviews conducted with the executive director, business manager, and the treasurer.

CRITERION 12: HUMAN RESOURCE POLICIES, PROFESSIONAL AND GENERAL LIABILITY INSURANCE

Strong human resources (HR) policies and necessary insurance coverage are integral components of any successful collaborative, serving critical roles in the management and safeguarding of both the workforce and the collaborative’s assets.

The human resources department is at the core of employee management and is responsible for a wide range of functions that support the collaborative’s staff and overall mission.

Insurance policies provide financial protection against various risks that the collaborative faces. They are vital in mitigating losses from unforeseen events.

Indicators:

- 12.1** Evidence that the collaborative has a human resource department or officer who is adequately trained to manage employee matters. Evidence that the collaborative has documented HR policies which are made available to employees and are regularly reviewed and updated as necessary.
- 12.2** Evidence that the collaborative is maintaining necessary insurance coverage and they are current and in good standing. These include but are not limited to:
- o General liability insurance which protects against claims for bodily injury, property damage, and personal injury that occur on the collaborative's property or as a result of its operations.
 - o Professional liability insurance which covers claims arising from educational malpractice or negligence, failure to educate, and other professional errors or omissions.
 - o Property insurance which insures against damage to the collaborative's buildings, contents, and equipment due to covered perils such as fire, theft, or natural disasters.
 - o Workers compensation insurance which provides benefits to employees who suffer work related injuries or illnesses, as required by state laws.

Analysis:

- 12.1** The reviewer will document the collaborative's process for managing human resources. The reviewer will verify the collaborative has documented HR policies which they have made available to their employees.
- 12.2** The reviewer will verify the collaborative maintains necessary insurance coverage. The reviewer will inquire as to whether the collaborative has additional insurance coverage such as cyber liability insurance.

Results:

- 12.1 Met** The collaborative has a coordinator of human resources along with documented HR policies that are available to all employees.
- 12.2 Met** The collaborative maintains adequate insurance coverage including the accidental, auto, cyber security, directors and officers, commercial, general liability, and workers compensation.