

BI-COUNTY EDUCATION COLLABORATIVE
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BI-COUNTY EDUCATION COLLABORATIVE

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Bi-County Education Collaborative
Franklin, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bi-County Education Collaborative, Franklin, Massachusetts, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Collaborative basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bi-County Education Collaborative, Franklin, Massachusetts, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

5 Edgell Road, Suite 38, Framingham, Massachusetts 01701 (508) 620-7911 FAX (508) 620-7608 www.borgattiharrison.com

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, certain pension information on pages 41 and 42, and certain OPEB information on pages 43, 44 and 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bi-County Education Collaborative, Franklin, Massachusetts's basic financial statements. The accompanying Supplementary Information on pages 38 through 40 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2021, on our consideration of the Bi-County Education Collaborative, Franklin, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our tests of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Bi-County Education Collaborative, Franklin, Massachusetts's internal control over financial reporting and compliance.



Borgatti Harrison & Co.

Framingham, Massachusetts
September 2, 2021

Management's Discussion and Analysis

As Management of the Bi-County Education Collaborative (Collaborative), we offer readers of the Collaborative financial statements this narrative overview and analysis of financial activities of the Collaborative for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic statements and notes to the basic statements.

Financial Highlights

The liabilities of the Bi-County Education Collaborative exceeded its assets at the close of the fiscal year by \$15,586,778 (net position). Of this amount, \$(16,155,888) (unrestricted net position) may be used to meet ongoing obligations of the Collaborative.

The total assets of the Collaborative are \$16,510,578. Of this amount, \$4,893,971 represents current assets.

The total revenues of the Collaborative for fiscal 2021 were \$15,793,047, a decrease of \$461,321 (2.83%) over fiscal 2020, primarily from tuition revenue.

The total expenses of the Collaborative for fiscal 2021 were \$19,756,395 a decrease of \$8,127,921 (29.15%) over fiscal 2020, primarily due to a smaller increase in OPEB liability

The overall financial position of the Collaborative is stable. The change in net position for the fiscal year amounts to a decrease of \$3,963,348 due to an increase in OPEB liability of \$3,173,445.

Overview of Financial Statements

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

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the Collaborative's 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 reports as net assets. Over time, increases or decreases in net position 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 assets 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 the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements:

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

Governmental Funds:

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

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

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

The basic governmental fund financial statements can be found on **pages 7 through 15**.

Notes to the Financial Statements:

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

financial statements can be found on **pages 17 through 37** of this report. An index of the notes appears on **page 16**.

Government-Wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental liabilities exceeded assets by \$15,586,778 at the close of FY 2021, a decrease of \$(3,963,348).

	2021	2020	Change	%
Cash	\$ 4,243,926	\$ 3,816,897	\$ 427,029	0.112
Other current assets	650,045	1,519,905	(869,860)	-0.572
Deferred Outflows of resources	11,052,173	9,735,052	1,317,121	0.135
Capital assets	564,434	582,347	(17,913)	-0.031
Total assets	16,510,578	15,654,201	856,377	0.055
Current liabilities	732,626	403,467	329,159	0.816
Deferred inflows of resources	2,306,172	1,725,661	580,511	0.336
Net OPEB liability	29,058,558	25,148,503	3,910,055	0.155
Total liabilities	32,097,356	27,277,631	4,819,725	0.177
Restricted net assets	4,676	5,199	(523)	-0.101
Unrestricted net assets	(16,155,888)	(12,210,976)	(3,944,912)	0.323
Net investment in capital assets	564,434	582,347	(17,913)	-0.031
Total net position	\$ (15,586,778)	\$ (11,623,430)	\$ (3,963,348)	0.341
Charges for services	\$ 1,208,388	\$ 1,493,410	\$ (285,022)	-0.191
Operating grants and contributions	2,822,519	2,591,515	231,004	0.089
Tuition	11,716,427	12,114,881	(398,454)	-0.033
Other income	45,713	54,562	(8,849)	-0.162
Operating expenses	(19,756,395)	(27,884,316)	8,127,921	-0.291
Change in net position	\$ (3,963,348)	\$ (11,629,948)	\$ 7,666,600	-0.659

Financial Analysis of Governmental Funds:

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

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

General Fund Budgetary Highlights:

Actual revenues were \$12,956,925, under budget by \$892,040, primarily due to a reduction in program tuition and services income due to the COVID-19 pandemic.

Actual expenditures were \$13,728,392, under budget by \$1,482,277, primarily due to savings in salaries and wages and related benefits due to the COVID-19 pandemic.

Fiscal Year 2022

The Collaborative has appropriated a balanced annual budget for FY2022 of \$15,626,357. Student enrollment is based on an average of 220 students, no increase over FY2021.

Requests for information:

This financial report is designed to provide a general overview of the Bi-County Education Collaborative's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Debra Ciccone, Director of Finance and Operations at Bi-County Education Collaborative, 397 East Central Street, Franklin, MA 02038.

**BI-COUNTY EDUCATION COLLABORATIVE
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 4,243,926
Accounts receivable	85,701
Due from OPEB Trust	-
Prepaid expenses	<u>564,344</u>
Total current assets	<u>4,893,971</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>564,434</u>
Total noncurrent assets	<u>564,434</u>
Deferred Outflows of Resources	
OPEB related	<u>11,052,173</u>
Total Assets and Deferred Outflows of Resources	<u>16,510,578</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	426,605
Deferred revenue	306,021
Due to OPEB Trust	<u>-</u>
Total current liabilities	<u>732,626</u>
Noncurrent Liabilities:	
Net other post employment benefits liability	<u>29,058,558</u>
Total noncurrent liabilities	<u>29,058,558</u>
Total Liabilities	<u>29,791,184</u>
Deferred Inflows of Resources	
OPEB related	<u>2,306,172</u>
Total Liabilities and Deferred Inflows of Resources	<u>32,097,356</u>
NET POSITION	
Invested in capital assets, net of related debt	564,434
Restricted	4,676
Unrestricted	<u>(16,155,888)</u>
Total net position	<u>\$ (16,586,778)</u>

The accompanying notes are an integral part of the financial statements

**BI-COUNTY EDUCATION COLLABORATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental Activities					
Salaries and wages	\$ 9,515,599	\$ 1,206,785	\$ -	\$ -	\$ (8,308,814)
Payroll taxes and benefits	7,982,678	-	2,791,724	-	(5,190,954)
Program expenses	520,430	1,603	30,795	-	(488,032)
Operating facility	1,388,944	-	-	-	(1,388,944)
General and administrative expenses	117,535	-	-	-	(117,535)
Capital expenses	112,855	-	-	-	(112,855)
Depreciation	118,354	-	-	-	(118,354)
Total governmental activities	\$ 19,758,395	\$ 1,208,388	\$ 2,822,519	\$ -	(15,725,488)
General revenues:					
Program tuitions					11,716,427
Investment earnings					7,817
Other income					37,896
Total general revenues					11,762,140
Change in net position					(3,963,348)
Net position - beginning of year					(11,823,430)
Net position - end of year					\$ (15,588,778)

The accompanying notes are an integral part of the financial statements

**BI-COUNTY EDUCATION COLLABORATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,239,250	\$ 4,676	\$ 4,243,926
Accounts receivable	85,701	-	85,701
Due from OPEB Trust	-	-	-
Prepaid expenses	564,344	-	564,344
Total assets	<u>\$ 4,889,295</u>	<u>\$ 4,676</u>	<u>\$ 4,893,971</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 426,605	\$ -	\$ 426,605
Deferred revenue	228,021	-	228,021
Unearned revenue	78,000	-	78,000
Due to OPEB Trust	-	-	-
Total liabilities	<u>732,626</u>	<u>-</u>	<u>732,626</u>
Fund balances:			
Nonspendable	564,344	-	564,344
Restricted	-	4,676	4,676
Committed	1,998,867	-	1,998,867
Assigned	-	-	-
Unassigned	1,593,458	-	1,593,458
Total fund balances	<u>4,156,669</u>	<u>4,676</u>	<u>4,161,345</u>
Total liabilities and fund balances	<u>\$ 4,889,295</u>	<u>\$ 4,676</u>	<u>\$ 4,893,971</u>

The accompanying notes are an integral part of the financial statements

**BI-COUNTY EDUCATION COLLABORATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021**

Total fund balance, governmental funds	\$	4,161,345
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		564,434
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In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in Governmental Funds, interest is not reported until due.		-
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		-
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
OPEB Liability		(29,058,558)
Deferred Inflows of Resources		(2,306,172)
Deferred Outflows of Resources		11,052,173

Net Position of Governmental Activities in the Statement of Net Position	\$	(15,586,778)
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The accompanying notes are an integral part of the financial statements

BI-COUNTY EDUCATION COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE, 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Program tuitions	\$ 11,716,427	\$ -	\$ 11,716,427
Aides	693,382	-	693,382
Service income	513,403	-	513,403
District credits	-	-	-
Governmental revenue	2,791,724	30,795	2,822,519
Other income	37,896	1,603	39,499
Interest income	7,817	-	7,817
Total revenues	<u>15,760,649</u>	<u>32,398</u>	<u>15,793,047</u>
EXPENDITURES			
Salaries and wages	9,515,599	-	9,515,599
Payroll taxes and benefits	4,809,233	-	4,809,233
Program expenses	487,509	32,921	520,430
Operating facility	1,388,944	-	1,388,944
General and administrative expenses	117,535	-	117,535
Capital expenses	213,296	-	213,296
Total expenditures	<u>16,532,116</u>	<u>32,921</u>	<u>16,565,037</u>
Excess (deficiency) of revenues over expenditures	<u>(771,467)</u>	<u>(523)</u>	<u>(771,990)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(771,467)</u>	<u>(523)</u>	<u>(771,990)</u>
Fund balances - beginning of year	<u>4,928,138</u>	<u>5,199</u>	<u>4,933,335</u>
Fund balances - end of year	<u><u>\$ 4,156,669</u></u>	<u><u>\$ 4,676</u></u>	<u><u>\$ 4,161,345</u></u>

The accompanying notes are an integral part of the financial statements

**BI-COUNTY EDUCATION COLLABORATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balances - total governmental funds: \$ (771,990)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$100,441) exceeded depreciation (\$118,354) in the current period."

(17,913)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

OPEB expense not reflected on Governmental funds

(3,173,445)

Change in net position of governmental activities

\$ (3,963,348)

The accompanying notes are an integral part of the financial statements

BI-COUNTY EDUCATION COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCE)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Program tuitions	\$ 12,346,836	\$ 11,954,001	\$ 11,716,427	\$ (237,574)
Aides	907,979	880,731	693,382	(187,349)
Services income	992,808	992,808	513,403	(479,405)
District credits	-	-	-	-
Governmental revenue	-	-	-	-
Other income	-	16,425	25,896	9,471
Interest income	5,000	5,000	7,817	2,817
Total revenues	<u>14,252,623</u>	<u>13,848,965</u>	<u>12,956,925</u>	<u>(892,040)</u>
EXPENDITURES				
Salaries and wages	10,517,395	10,517,394	9,515,599	1,001,795
Payroll taxes and benefits	1,915,053	2,165,053	2,017,509	147,544
Program expenses	645,500	720,885	487,509	233,376
Operating facility	1,427,717	1,427,717	1,376,944	50,773
General and administrative expenses	165,800	165,800	117,535	48,265
Capital expenses	75,000	213,820	213,298	524
Total expenditures	<u>14,746,465</u>	<u>15,210,669</u>	<u>13,728,392</u>	<u>1,482,277</u>
Excess (deficiency) of revenues over expenditures	<u>(493,842)</u>	<u>(1,361,704)</u>	<u>(771,467)</u>	<u>590,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	-	-
Use of capital reserve	75,000	213,820	213,820	-
Use of unreserved surplus	418,842	1,147,884	1,147,884	-
Total other financing sources and uses	<u>493,842</u>	<u>1,361,704</u>	<u>1,361,704</u>	<u>-</u>
Net change in fund balances	-	-	590,237	590,237
Fund balances - beginning of year	<u>4,434,294</u>	<u>3,566,432</u>	<u>3,566,432</u>	<u>-</u>
Fund balances - end of year	<u>\$ 4,434,294</u>	<u>\$ 3,566,432</u>	<u>\$ 4,156,669</u>	<u>\$ 590,237</u>

The accompanying notes are an integral part of the financial statements

**BI-COUNTY EDUCATION COLLABORATIVE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	<u>Other Post- Employment Benefits Trust</u>
ASSETS	
Cash and investments	\$ 3,742,022
Due from Bi-County Education Collaborative	<u>-</u>
Total assets	<u>3,742,022</u>
LIABILITIES	
Due to Bi-County Education Collaborative	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for benefits and other purposes	<u>\$ 3,742,022</u>

The accompanying notes are an integral part of the financial statements

**BI-COUNTY EDUCATION COLLABORATIVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Other Post- Employment Benefits Trust</u>
ADDITIONS	
Employer contributions	\$ 250,000
Employee health premium contributions	49,330
Investment earnings	859,482
Other	20
Total additions	<u>1,158,832</u>
DEDUCTIONS	
Health Insurance premiums paid	253,837
Administrative expenses	<u>16,873</u>
Total deductions	<u>270,710</u>
Change in net assets	888,122
Net position - beginning of year	<u>2,853,900</u>
Net position - end of year	<u><u>\$ 3,742,022</u></u>

The accompanying notes are an integral part of the financial statements

BI-COUNTY EDUCATION COLLABORATIVE
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BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Bi-County Education Collaborative (Collaborative) is an educational collaborative established under Massachusetts General Laws, Chapter 40, Section 4E and Board of Education policy and an agreement between School Committees of the Towns of Attleboro, Bellingham, Easton, Foxborough, Franklin, Hopedale, Mansfield, Milford, Norfolk, North Attleboro, Norton, Plainville, Swansea, Uxbridge, Walpole, Wrentham, and the Tri-County Regional Vocational Technical High School, Blackstone-Millville Regional School District, and the King Philip Regional School District. The Collaborative was formed in 1976 with the purpose of providing specialized educational services for students ages 3 - 22.

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. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

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

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

Based on the aforementioned criteria, the Bi-County Education Collaborative has no component units.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

C. Basis of Presentation

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

The 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. The following describes the general use of these fund types:

Special Revenue Fund – This 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.

Fiduciary Fund Financial Statements:

Other Post-Employment Benefits Trust Funds – This fund is used to account for resources legally held in trust for retiree health insurance premiums.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

D. Net Position

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

E. Fund Balance

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

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

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Massachusetts General Laws or Collaborative Agreement).

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

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

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Collaborative applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Measurement Focus/Basis of Accounting

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

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

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

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

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

G. Budgetary Control

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 2021 approved budget for the general fund was \$14,746,465 in appropriations and carryforwards. During fiscal year 2021, there were supplemental changes in appropriations in the amount of \$464,204.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and continuing appropriations, which are adjusted to the actual results for comparison. Deficits, if any, are raised in the subsequent year's budget process.

H. 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.

I. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end.

An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less is also considered being "cash equivalents".

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

J. Inventories of Supplies

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

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

K. Interfund Receivable and Payables

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

L. Compensated Absences

The Executive Director can be compensated for unused sick leave as outlined in her contract. Certain administrators can accumulate vacation time which can be paid out at retirement or termination. For Governmental Funds, vested or accumulated vacation and sick leave that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities.

M. Encumbrances and Continuing Appropriations

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

N. Transactions Between Funds

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

O. Capital Assets

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

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Vehicles	5 Years
Furniture and equipment	5 - 7 Years
Leasehold Improvements	10 Years

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

P. Claims and Judgments

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

Q. 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.

R. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

2 - BUDGETARY BASIS OF ACCOUNTING

The Bi-County Education Collaborative prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Collaborative's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide meaningful comparison of actual results with budget. The major differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues over expenditures on the budget basis to a GAAP basis are provided below:

Excess of revenues over expenditures – budget basis	\$ (771,467)
Record revenue recognized for pension on-behalf payments	2,791,724
Record expenditures recognized for pension on-behalf payments	<u>(2,791,724)</u>
Excess of revenues over expenditures – GAAP basis	\$ (771,467) =====

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3 - DEPOSITS AND INVESTMENTS

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

The Collaborative has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments in relation to the Collaborative's restricted investments in the Permanent Funds. The Collaborative maintains a cash and investment pool that is available for use by all funds with unrestricted cash and investments.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Collaborative's deposits may not be recovered. The Collaborative does not have a policy for custodial credit risk of deposits. As of June 30, 2021, \$482 of the Collaborative's bank balance of \$4,322,590 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Custodial Credit Risk – Investments

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

Interest Rate Risk of Debt Securities – Investments

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

Credit Risk of Debt Securities – Investments

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

The Collaborative does not have any investments as of June 30, 2021.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4 - PENSION PLANS

Massachusetts State Employees' Retirement System

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 in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MSERS is vested in the Massachusetts State Retirement Board (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 chosen by the State Treasurer and the State Treasurer, who serves ex-officio and is the Chairman of the MSRB.

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

Members of the system become fully vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching age 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety position, normal retirement is at age 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.

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 except for State Police which is 12%
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

Special funding situation. Educational Collaboratives contribute amounts equal to the normal costs of employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% 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 in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MSERS. Since the employers do not contribute directly to MSERS, there is no net pension liability to recognize for each employer.

Payments made by the Commonwealth of Massachusetts on behalf of the Collaborative amounted to \$426,489 in fiscal 2021 and are reflected as revenues and corresponding expenditures in the Collaborative's financial statements.

Actuarial assumptions. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

1. (a) 7.15% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3% cost of living increase on the first \$13,000 of allowance per year.
2. Salary increases are based on an analyses of past experience but range from 4% to 9% depending on group and length of service.
3. Mortality rates were as follows:
 - * Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females.
 - * Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year for females.
 - * Disability –the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year.
4. Experience studies were performed as follows:
 - * Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.

Investment assets of the 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 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, 2020, are summarized in the following table:

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	39.0%	4.8%
Core Fixed Income	15.0%	0.7%
Private Equity	13.0%	8.2%
Real Estate	11.0%	3.2%
Value Added Fixed Income	10.0%	3.5%
Portfolio Completion Strategies	8.0%	4.2%
Timber/Natural Resources	<u>4.0%</u>	<u>4.1%</u>
Total	100.0%	

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.

Sensitivity analysis. The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>1% Increase to 8.15%</u>
June 30, 2020	\$ 22,606,331,000	\$ 17,157,700,000	\$ 12,679,351,000

Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined 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 nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

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

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

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975.....	5% of regular compensation
1975 – 1983.....	7% of regular compensation
1984 to 6/30/1996.....	8% of regular compensation
7/1/1996 to present.....	9% of regular compensation
7/1/2001 to present.....	11% of regular compensation for teachers hired after 7/1/01
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

Special funding situation. The Commonwealth is a nonemployer 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 Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Payments made by the Commonwealth of Massachusetts on behalf of the Collaborative amounted to \$2,365,235 in fiscal 2021 and are reflected as revenues and corresponding expenditures in the Collaborative's financial statements.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

Actuarial assumptions. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

1. (a) 7.15% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3% cost of living increase on the first \$13,000 of allowance per year.
2. Salary increases are based on analysis of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - * Pre-retirement – reflects Pub-2010 Teachers Employees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - * Post-retirement – reflects Pub-2-1- Teachers Employees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - * Disability –assumed to be in accordance with the Pub-2010 Teachers Employees Mortality Table (headcount weighted) projected generationally adjusted with Scale MP-2018 (gender distinct).
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.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	39.0%	4.8%
Core Fixed Income	15.0%	0.7%
Private Equity	13.0%	8.2%
Real Estate	10.0%	3.5%
Value Added Fixed Income	8.0%	4.2%
Portfolio Completion Strategies	11.0%	3.2%
Timber/Natural Resources	4.0%	4.1%
Total	100.0%	

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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.

Sensitivity analysis. The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>1% Increase to 8.15%</u>
June 30, 2020	\$35,411,955,000	\$28,544,844,000	\$22,908,510,000

Annual Pension Cost

For 2021, the Collaborative's annual pension cost of \$3,015,315 was equal to the Collaborative's required and actual contributions of \$223,591 and the Commonwealth's in-kind contribution of \$2,791,724.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5 - LINE OF CREDIT

The Collaborative has a line of credit with a bank in the amount of \$500,000, secured by accounts receivable. The line bears interest at the bank's prime rate with a floor of 5%. There was no balance outstanding at June 30, 2021.

6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Capital assets, being depreciated				
Leasehold Improvements	164,541	-	-	164,541
Technology and Furniture	610,629	100,441	-	711,070
Vehicles	<u>165,113</u>	<u>-</u>	<u>-</u>	<u>165,113</u>
Total capital assets, being depreciated	<u>940,283</u>	<u>100,441</u>	<u>-</u>	<u>1,040,724</u>
Less accumulated depreciation for:				
Technology and Furniture	140,282	89,249	-	229,531
Leasehold Improvements	52,541	29,105	-	81,646
Vehicles	<u>165,113</u>	<u>-</u>	<u>-</u>	<u>165,113</u>
Total accumulated depreciation	<u>357,936</u>	<u>118,354</u>	<u>-</u>	<u>476,290</u>
Total capital assets, being depreciated, net	<u>582,347</u>	<u>(17,913)</u>	<u>-</u>	<u>564,434</u>
Governmental activities capital, assets net of accumulated depreciation	\$ <u>582,347</u>	\$ <u>(17,913)</u>	\$ <u>-</u>	\$ <u>564,434</u>

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

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7 - COMMITMENTS AND CONTINGENCIES

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

The Collaborative rents classroom and office space at several locations under long-term and short-term arrangements. Rent expense under these leases amounted to \$1,206,048 for the year ended June 30, 2021.

The Collaborative leases various office equipment under long-term lease agreements that expire at various times. Rent expense under these leases amounted to \$8,590 for the year ended June 30, 2021.

8 - 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.

9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The Collaborative maintains a single employer defined benefit healthcare plan (The Other Postemployment Benefits Plan). The Plan provides lifetime health insurance coverage for eligible retirees and their survivors. Chapter 32B of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the Plan. Changes to plan design and contribution rates must be accomplished through Board vote. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Plan Membership - The number of participants as of July 1, 2020, the latest actuarial valuation, is as follows:

Active employees.....	160
Retired employees and beneficiaries.....	<u>33</u>
Total	193
	==

Funding Policy – The contribution requirements of the Plan and the Collaborative is established by the Board of Directors. The current required health insurance contribution rates of Plan members and the Collaborative are determined by the Board and agree to the GIC percentages for all Plans.

The money-weighted rate of return on OPEB investments for the year ended June 30, 2021 was 29.42%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expenses, adjusted for the changing amounts actually invested.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

Components of the OPEB Liability - The net OPEB liability for the Plan was measured as of June 30, 2021, and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2019. The components of the Net OPEB Liability of the Plan as of June 30, 2021, were as follows:

Total OPEB Liability	\$ 24,054,579
Plan Fiduciary Net Position	<u>(3,742,022)</u>
Net OPEB Liability	\$ 20,312,557
	=====

Significant Actuarial Methods and Assumptions – Actuarial assumptions are estimates as to the occurrence of future events impacting the costs of the plan such as mortality rates, withdrawal rates, medical trend rates, retirement ages, rates of investment earnings, etc. The assumptions have been chosen to anticipate the long-term experience of the plan and are in accordance with GASB Statement No. 74, as follows:

Valuation date.....	July 1, 2019 for purposes of determining the OPEB expense and June 30, 2021 for purposes of Net OPEB Liability.
Actuarial cost method.....	Entry Age Actuarial Cost Method.
Asset valuation method.....	Fair market value as of the measurement date.
Discount rate.....	2.10%.
Long-term rate of return on assets.....	6.00%.
Salary scale.....	2.00%.
Healthcare cost trend rate.....	5.50% per year graded down by the Getzen model to an ultimate rate of 4.04% per year.
Pre-retirement mortality.....	2010 Public Sector Retirement Plans Mortality table for Teachers employee populations with MP-2019 Mortality improvement scale.
Healthy mortality.....	2010 Public Sector Retirement Plans Mortality table for Teachers employee populations with MP-2019 Mortality improvement scale.
Disabled mortality.....	2010 Public Sector Retirement Plans Mortality table for Teachers employee populations with MP-2019 Mortality improvement scale.

Investment Policy - The Collaborative invests its OPEB Trust Fund money with the Pension Reserves Investment Trust Fund (PRIT). PRIT's overall investment objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. PRIT maintains a long-term perspective in formulating and implementing its investment policies. Investment performance is measured by three integrated long-term objectives; the actuarial target rate of return, the investment policy benchmark and a peer universe comparison.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity - Large Cap.....	14.50%	4.90%
Domestic Equity - Small/Mid Cap.....	3.50%	5.40%
International Equity - Developed Market	16.00%	5.32%
International Equity - Emerging Market	6.00%	6.26%
Domestic Fixed Income.....	20.00%	1.40%
International Fixed Income.....	3.00%	1.30%
Alternatives.....	23.00%	6.32%
Real Estate.....	14.00%	6.25%
Cash and Cash Equivalents.....	0.00%	0.00%
Total Target Allocation	100.00%	

The money-weighted rate of return for the fiscal year ended June 30, 2021 was 29.42%, which is more than the discount rate used of 2.13% and long-term rate of return on assets of 6.00%.

Discount Rate - The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement to be greater than the benefit payments that are projected to be made in the 35 period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on OPEB plan investments.
- The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Sensitivity of the Net OPEB Liability to changes in the discount rate - The following table presents the Net OPEB Liability, calculated using the discount rate of 2.10%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.10%) or 1-percentage point higher (3.10%) than the current rate:

	1% Decrease 1.10%	Current Discount Rate 2.10%	1% Increase 3.10%
Net OPEB Liability.....	\$ 26,431,533	\$ 20,312,557	\$ 15,671,880

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

Sensitivity of the Net OPEB Liability to changes in the healthcare trend - The following table presents the Net OPEB Liability, calculated using the current healthcare trend rate of 5.50%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.60%) or 1-percentage point higher (6.60%) than the current rate:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net OPEB Liability.....	\$ 14,746,516	\$ 20,312,557	\$ 28,188,254

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to the Plan - For the year ended June 30, 2021, the Collaborative recognized OPEB expense of \$3,423,445. At June 30, 2021, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ (1,643,399)
Changes in assumptions	10,994,295	(96,401)
Difference between projected and actual earnings on Plan investments	<u>57,878</u>	<u>(566,372)</u>
Total Deferred Outflows/ (Inflows)	<u>\$ 11,052,173</u>	<u>\$ (2,306,172)</u>

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

Fiscal Year Ending June 30:	2022	\$ 512,276
	2023	531,335
	2024	535,037
	2025	515,747
	2026	650,722
	Thereafter	<u>6,000,884</u>
Total		<u>\$ 8,746,001</u>

BI-COUNTY EDUCATION COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 – EVALUATION OF SUBSEQUENT EVENTS

The Collaborative has evaluated subsequent events through September 2, 2021, the date which the financial statements were available to be released.

BI-COUNTY EDUCATION COLLABORATIVE

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11 – FUND BALANCES

Fund balance is classified as nonspendable, 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>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<u>Nonspendable:</u>			
Prepaid expenses	\$ <u>564,344</u>	\$ <u>-</u>	\$ <u>564,344</u>
<u>Restricted For:</u>			
Grants and donations	<u>-</u>	<u>4,676</u>	<u>4,676</u>
<u>Committed To:</u>			
Capital expenditures	499,425	-	499,425
Next years budget	<u>1,499,442</u>	<u>-</u>	<u>1,499,442</u>
Total Committed	<u>1,998,867</u>	<u>-</u>	<u>1,998,867</u>
<u>Assigned:</u>			
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>
<u>Unassigned:</u>	<u>1,593,458</u>	<u>-</u>	<u>1,593,458</u>
Total Fund Balances	\$ <u>4,156,669</u>	\$ <u>4,676</u>	\$ <u>4,161,345</u>

SUPPLEMENTARY INFORMATION

BI-COUNTY EDUCATION COLLABORATIVE

DISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012 OF THE MASSACHUSETTS GENERAL LAWS

JUNE 30, 2021

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

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

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

Blackstone Millville Regional School District	\$ 34,588
Foxboro Ahern Middle School	31,500
Franklin Annie Sullivan School	31,050
King Philip Regional Middle School	24,800
Mansfield Jordan Jackson School	33,600
North Attleboro Martin School	11,600
Norton Middle School	32,212
Plainville Schools	78,125
Millville Elementary School	19,850
Wrentham Delany School	<u>18,203</u>

315,528

* Long-term lease for classroom space in East Walpole, MA
from The Education Cooperative

278,664

* Long-term lease for classroom space in Walpole, MA from
2140 Providence Highway, LLC

540,078

* Long-term lease for office space at 397 East Central Street,
Franklin, MA

71,545

* Storage Unit

233

Total rent paid for real estate

\$1,206,048
=====

3. The names, duties and total compensation of the 5 most highly compensated employees:

Jeanne Sullivan, Executive Director	\$ 159,267
Julie O'Connor, Director of Student Services	116,969
Craig Murphy, Clinical Director	125,264
Debra Ciccone, Director of Finance & Operations	117,323
Michelle Mercier, Teacher	116,313

See accompanying auditor's report on supplementary information

BI-COUNTY EDUCATION COLLABORATIVE
DISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012
OF THE MASSACHUSETTS GENERAL LAWS

JUNE 30, 2021

4. The amounts expended on administration and overhead:

Administration	\$ 829,630
Overhead	<u>126,854</u>
	<u>\$ 956,484</u>

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

None

6. The amounts expended on services for individuals age 22 and older:

None

7. Cumulative Surplus Calculation

		<u>Page #</u>
Cumulative Surplus as of June 30, 2020	<u>\$ 3,406,061</u>	
<i>(Breakdown of use of 2020 surplus)</i>		
Cumulative Surplus voted to support fiscal 2021 budget (reduction)	34,616	37
Cumulative Surplus voted to support fiscal 2022 budget	(1,499,442)	37
Cumulative Surplus voted to Capital Improvement Reserve	(373,570)	37
Amount of Cumulative Surplus returned to member districts	<u>-</u>	
Board voted uses of surplus funds during fiscal 2021	<u>(1,838,396)</u>	
Unexpended Fiscal 2021 General Funds	<u>590,237</u>	13
Cumulative Surplus as of June 30, 2021	<u><u>\$ 2,157,902</u></u>	37
Fiscal 2021 General Fund Expenditures	\$ 13,728,392	13
Cumulative Surplus Percentage	<u><u>15.72%</u></u>	

See accompanying auditor's report on supplementary information

BI-COUNTY EDUCATION COLLABORATIVE

DISCLOSURES REQUIRED BY CHAPTER 43 OF THE ACTS OF 2012
OF THE MASSACHUSETTS GENERAL LAWS

JUNE 30, 2021

Cumulative Surplus Reduction:

(Allowable uses of surplus - in excess of the 25% limit)

Cumulative Surplus as of June 30, 2021	\$ 2,157,802
--	--------------

25% limit (allowed)	\$ 3,432,098
---------------------	--------------

Cumulative Surplus Reductions

Credited to member districts for tuition, services, etc.

-

Deposited to an established trust and or reserve fund

-

Returned (check) to school district/towns

-

Total Reductions

-

Fiscal 2021 Cumulative Surplus Percentage after Reductions

15.72%

See accompanying auditor's report on supplementary information

REQUIRED SUPPLEMENTARY INFORMATION

**BI-COUNTY EDUCATION COLLABORATIVE
SCHEDULE OF THE COLLABORATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportionate share of the net pension liability	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Employer's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Collaborative	17,010,576	15,831,541	14,316,881	13,318,836	10,851,458
Total	<u>\$ 17,010,576</u>	<u>\$ 15,831,541</u>	<u>\$ 14,316,881</u>	<u>\$ 13,318,836</u>	<u>\$ 10,851,458</u>

	<u>2021</u>	<u>2020</u>
Employer's proportionate share of the net pension liability	0.00000%	0.00000%
Employer's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Collaborative	19,149,482	18,286,502
Total	<u>\$ 19,149,482</u>	<u>\$ 18,286,502</u>

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

See accompanying auditor's report on required supplementary information

BI-COUNTY EDUCATION COLLABORATIVE
SCHEDULE OF THE COLLABORATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportionate share of the net pension liability	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Employer's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Collaborative	7,296,265	6,811,408	7,120,179	5,290,686	3,606,009
Total	<u>\$ 7,296,265</u>	<u>\$ 6,811,408</u>	<u>\$ 7,120,179</u>	<u>\$ 5,290,686</u>	<u>\$ 3,606,009</u>
Proportionate Share of Plan Pension Expense	\$ 892,084	\$ 849,063	\$ 977,974	\$ 597,258	\$ 266,960
Net Amortization of Deferred Amounts from Change in Proportion	69,147	32,285	10,863	(6,443)	(10,535)
Total Employer Pension Expense	<u>\$ 961,231</u>	<u>\$ 881,348</u>	<u>\$ 988,837</u>	<u>\$ 590,815</u>	<u>\$ 256,425</u>
	<u>2021</u>	<u>2020</u>			
Employer's proportionate share of the net pension liability	0.00000%	0.00000%			
Employer's proportionate share of the net pension liability	\$ -	\$ -			
State's proportionate share of the net pension liability associated with the Collaborative	10,352,246	8,226,755			
Total	<u>\$ 10,352,246</u>	<u>\$ 8,226,755</u>			
Proportionate Share of Plan Pension Expense	\$ 1,457,350	\$ 1,275,390			
Net Amortization of Deferred Amounts from Change in Proportion	88,074	91,196			
Total Employer Pension Expense	<u>\$ 1,545,424</u>	<u>\$ 1,366,586</u>			

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

See accompanying auditor's report on required supplementary information

**BI-COUNTY EDUCATIONAL COLLABORATIVE
OTHER POSTEMPLOYMENT BENEFIT PLAN**

**SCHEDULE OF CHANGES IN THE COLLABORATIVES
NET OPEB LIABILITY AND RELATED RATIOS**

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 1,807,385	\$ 903,317	\$ 385,718	\$ 438,487	\$ 139,981
Interest on unfunded liability	522,816	429,105	259,010	258,360	125,015
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(190,541)	(1,159,168)	(18,362)	(574,667)	1,320,842
Changes in assumptions	2,114,310	8,125,810	2,331,395	(128,493)	632,485
Other changes	-	-	-	-	756,054
Changes in benefit terms	-	3,639,157	-	-	-
Benefit payments	(204,507)	(177,898)	(87,561)	(68,459)	(76,948)
Net change in Total OPEB Liability	4,049,463	11,760,323	2,870,200	(74,772)	2,897,429
Total OPEB Liability - beginning	20,005,116	8,244,793	5,374,593	5,449,365	2,551,936
Total OPEB Liability - ending (a)	\$ 24,054,579	\$ 20,005,116	\$ 8,244,793	\$ 5,374,593	\$ 5,449,365
Plan Fiduciary Net Position					
Contributions - Employer	\$ 250,000	\$ 250,000	\$ 250,000	\$ 203,961	\$ 403,949
Contributions - Employee	-	-	105,678	84,409	84,767
Net investment income	847,398	68,470	152,605	209,433	178,650
Benefit payments	(204,507)	(177,898)	(193,239)	(152,868)	(161,715)
Administrative expenses	(16,873)	(14,759)	(13,255)	(12,063)	(9,076)
Due to/from BICO	-	12,103	-	-	-
Net change in plan Fiduciary Net Position	876,018	137,916	301,789	332,872	496,575
Plan Fiduciary Net Position - beginning	2,866,004	2,728,088	2,426,299	2,093,427	1,596,852
Plan Fiduciary Net Position - ending (b)	\$ 3,742,022	\$ 2,866,004	\$ 2,728,088	\$ 2,426,299	\$ 2,093,427
Net OPEB Liability - ending (a)-(b)	\$ 20,312,557	\$ 17,139,112	\$ 5,516,705	\$ 2,948,294	\$ 3,355,938
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	15.56%	14.33%	33.09%	45.14%	38.42%
Covered Employee Payroll	\$ 9,515,599	\$ 9,661,970	\$ 8,748,000	\$ 8,408,313	\$ 8,408,313
Net OPEB Liability as a percentage of covered employee payroll	213.47%	177.39%	63.06%	35.06%	39.91%

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

See accompanying auditor's report on required supplementary information

**BI-COUNTY EDUCATIONAL COLLABORATIVE
OTHER POSTEMPLOYMENT BENEFIT PLAN**

SCHEDULE OF THE COLLABORATIVE'S OPEB CONTRIBUTIONS

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 1,256,754	\$ 1,128,759	\$ 469,072	\$ 469,072	\$ 469,072
Contributions in relation to the actuarially determined contribution	(250,000)	(250,000)	(250,000)	(203,961)	(403,949)
Contribution deficiency (excess)	\$ 1,006,754	\$ 878,759	\$ 219,072	\$ 265,111	\$ 65,123
Covered Employee Payroll	\$ 9,515,599	\$ 9,661,970	\$ 8,748,000	\$ 8,408,313	\$ 8,408,313
Contributions as a percentage of covered employee payroll	2.63%	2.59%	2.86%	2.43%	4.80%

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

See accompanying auditor's report on required supplementary information

BI-COUNTY EDUCATIONAL COLLABORATIVE
OTHER POSTEMPLOYMENT BENEFIT PLAN

SCHEDULE OF THE COLLABORATIVE'S OPEB INVESTMENT RETURNS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, Net of investment expenses	29.42%	2.48%	6.10%	9.72%

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

See accompanying auditor's report on required supplementary information



October 4, 2021

Board of Directors
Bi-County Education Collaborative
397 East Central Street
Franklin, MA 02038

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bi-County Education Collaborative for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 5, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bi-County Education Collaborative are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Bi-County Education Collaborative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements.

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

Management's estimate of the allowance for doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certified Public Accountants

5 Edgell Road, Suite 38, Framingham, Massachusetts 01701 (508) 620-7911 FAX (508) 620-7608 www.borgattiharrison.com

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

Difficulties Encountered in performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 2, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Schedule of the Collaborative's Proportionate Share of the Net Pension Liability and GASB Statement No. 74 OPEB disclosures, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurances on the RSI.

We were not engaged to report on Disclosures Required by Chapter 43 of the ACTs of 2012 of the Massachusetts General laws, which accompany the financial statements but are not RSI. With respect to this supplementary Information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script, appearing to read "Borgatti Harrison & Co.", written in dark ink.

Borgatti Harrison & Co.

BI-COUNTY EDUCATION COLLABORATIVE
INDEPENDENT AUDITORS' REPORTS PURSUANT
TO GOVERNMENT AUDITING STANDARDS
YEAR ENDED JUNE 30, 2021

BI-COUNTY EDUCATION COLLABORATIVE
INDEPENDENT AUDITOR'S REPORTS PURSUANT TO
GOVERNMENT AUDITING STANDARDS
YEAR ENDED JUNE 30, 2021

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COMPLIANCE AND OTHER MATTERES BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Bi-County Education Collaborative
Franklin, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bi-County Education Collaborative, Franklin, Massachusetts, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Bi-County Education Collaborative, Franklin, Massachusetts's basic financial statements, and have issued our report thereon dated September 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bi-County Education Collaborative, Franklin, Massachusetts'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 on Bi-County Education Collaborative, Franklin, Massachusetts's internal control. Accordingly, we do not express an opinion on the effectiveness of Bi-County Education Collaborative, Franklin, Massachusetts's internal control.

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

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

Certified Public Accountants

5 Edgell Road, Suite 38, Framingham, Massachusetts 01701 (508) 620-7911 FAX (508) 620-7608 www.borgattiharrison.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bi-County Education Collaborative, Franklin, Massachusetts'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 statement amounts. 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 on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Borgatti Harrison & Co." in a cursive script.

Borgatti Harrison & Co.

Framingham, Massachusetts
September 2, 2021