Northshore Education Consortium

Financial Statements

For the Year Ended
June 30, 2021

Northshore Education Consortium

Contents

For the Year Ended June 30, 2021

FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northshore Education Consortium
Beverly, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, OPEB Plan – Required Supplementary Information, and pension schedules on pages 3-7, 29-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of Northshore Education Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northshore Education Consortium's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northshore Education Consortium's internal control over financial reporting and compliance.

Fritz DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts
October 27, 2021

Northshore Education Consortium
Management's Discussion and Analysis
(unaudited)
June 30, 2021

Our discussion and analysis of Northshore Education Consortium's ("The Consortium") financial performance provides an overview of the Consortium's financial activities for the fiscal years ended June 30, 2021 with comparative information from June 30, 2020 and 2019. Please read it in conjunction with the financial statements that begin on page 8.

Overview of Financial Statements

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

Government-wide Statements:

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

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

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

Fund Financial Statements:

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

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

Notes to the Financial Statements:

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

Required Supplementary Information:

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

Government-Wide Financial Highlights

Consortium's Net Position:

ASSETS AND DEFERRED OUTFLOWS	2021	2020	2019
Current assets	$ 6,914,560	$ 7,725,870	$ 7,217,624
Property & equipment, net	9,465,553	9,583,196	9,872,837
Total Assets	$16,380,113	$17,309,066	$17,090,461
Deferred outflows of resources related to OPEB	$ 6,005,141	$ -	$ -
Total Assets & Deferred Outflows	$22,385,254	$17,309,066	$17,090,461
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
Liabilities & Deferred Inflows			
Current liabilities	$ 2,923,441	$ 2,591,861	$ 2,464,138
Other postemployment benefits & deferred inflows	28,271,834	20,462,788	19,386,162
Bonds and notes payable, net of current portion & unamortized bond fees	5,605,949	6,021,768	6,426,668
Total Liabilities & Deferred Inflows	$36,801,224	$29,076,417	$28,276,968
Net Position			
Invested in capital assets, net of related debt	$ 3,439,833	$ 3,152,654	$ 3,052,222
Unrestricted	(18,119,879)	(15,217,493)	(14,272,419)
Restricted – capital reserve fund	230,386	263,798	-
Restricted - other	33,690	33,690	33,690
	$(14,415,970)	$(11,767,351)	$(11,186,507)

In 2021, Northshore Education Consortium's net position decreased by $2,648,619. The decrease was primarily a result of a budgeted operating deficit for fiscal 2021 in addition to recording the estimated expense for postretirement health benefit obligations in accordance with GASB Statement No. 75.

Consortium's Changes in Net Position (excluding retirement system on-behalf payments):

	2021	2020	2019
Charges for services	$22,542,091	$24,211,963	$23,700,001
Operating grants and contributions	811,733	846,132	911,980
Member assessments	200,000	190,400	202,000
Interest	7,431	34,664	33,762
Gain on disposal of vehicle	-	5,060	-
Net extraordinary item	555,000	-	-
Operating Expenses	(24,960,969)	(24,792,437)	(24,484,832)
Change in net position before increase in net retirement health benefit obligation	(844,714)	495,782	362,911
Increase in net retirement health benefit obligation	(1,803,905)	(1,076,626)	(1,062,131)
Change in net position	$ (2,648,619)	$ (580,844)	$ (699,220)

The above schedule does not include on-behalf payments from state retirement systems recorded as revenue and expense in the financial statements as required under GASB Statement No. 68.

Revenues

In 2021, operating revenues decreased by approximately $1,740,241, or 6.80% over the prior fiscal year, due mainly to decreased student enrollment and services provided due to COVID related impacts to the Consortium.

Expenditures

In 2021, operating expenses increased by approximately $168,532, or 0.68% over the prior fiscal year, due mainly to increased personnel costs and COVID related expenditures.

Governmental Funds Financial Highlights

The Consortium reported a total general fund balance of $4,146,814, of which $3,419,315 is unassigned. The fund balance decreased $1,098,481 from the prior fiscal year, primarily as a result of COVID impacts to operations. Cash and cash equivalents decreased $437,194 and accounts receivable decreased $279,836. Accounts payable and accrued liabilities increased by $320,582. All of these changes are related to operational activities with the Consortium having lower amounts of accounts receivable as of June 30 due to timing of collections and having increased salary and other accruals due to timing of expenditures.

Capital Assets and Debt Administration

In fiscal 2021, the Consortium paid $10,650 for depreciable equipment at its West Peabody facility, $24,739 for depreciable equipment at its 126 Sohier Road, Beverly, facility, $6,870 for depreciable building improvements at its West Peabody facility and $647,082 for depreciable building improvements at its 112 Sohier Road, Beverly, facility. During 2020, the Consortium made improvements to its 83 Pine Street, Peabody facility costing $236,202 funded from the Consortium's capital reserve, to its Sohier Road, Beverly facility costing $3,708, and to its Topsfield facility costing $7,200. The Consortium also purchased a vehicle costing $36,285 for use in its operations. During 2019, the Consortium closed on the purchase of a program facility in Topsfield, Massachusetts which was financed by a note payable. Also, during 2019, the Consortium made improvements to its Sohier Road, Beverly facility and purchased equipment and a vehicle for use in its operations. The total related capital expenditures for the years ended June 30, 2021, 2020 and 2019 were $689,341, $283,195, and $248,894 respectively.

During fiscal 2021, the Consortium recorded an impairment loss to improvement assets at its 112 Sohier Road, Beverly, facility, in accordance with GASB Statement No. 42 due to damage sustained in a water leak. The damage caused significant impact to service utility. The Consortium calculated an impairment loss on the asset of $69,000 and incurred $624,000 of costs to restore the facility to working condition. The carrying value of the asset was adjusted downward for the $69,000 impairment loss and upward for the cost of restoration. The useful life of the overall asset was not changed since the life was not extended as a result of the restoration. The Consortium received full reimbursement of the restoration costs from its insurance policy and netted the insurance proceeds with the impairment loss and the net gain of $555,000 is presented in the Statement of Net Position as an extraordinary item due to the unique nature of the event.

In addition to the expenses described above, the Consortium incurred expenditures to temporarily relocate and operate its affected programs. All of these expenditures were not factored into the impairment loss since they were not capital in nature. In addition, all of these expenditures were reimbursed under the Consortium's insurance policies. The expenditures and related insurance reimbursements are reflected in the Statement of Activities as an extraordinary item since they were due to the unique event and would not have been incurred had the damage not occurred.

Additional information on the Consortium's capital assets can be found in Note B in the notes to the financial statements.

The Consortium's debt consists of bonds to finance the purchase and buildout of the Consortium's headquarters and a note payable entered into during fiscal 2018 related to the purchase of a program facility in Topsfield, Massachusetts. As of June 30, 2021, and 2020, the remaining principal balance of the bonds was $4,476,979 and $4,852,233, respectively. As of June 30, 2021, and 2020, the remaining principal balance of the note payable was $1,586,251 and $1,619,693, respectively. During fiscal 2021 and 2020, the principal of the bonds was paid down by $375,254 and $363,006, respectively. During fiscal 2021 and 2020, the principal of the note payable was paid down by $33,442 and $30,941, respectively. The current portion of bonds due in fiscal 2022 is $384,507 and the current portion of the note payable is $35,264.

Additional information on the Consortium's debt can be found in Note E in the notes to the financial statements.

Budgetary Highlights

The Consortium's annual budget for fiscal 2021 was approved by its Board of Directors. The budget was revised mid-year. For the fiscal year ended June 30, 2021, the Consortium received revenues, excluding on-behalf payments by the Massachusetts Teachers' Retirement and State Employees' Retirement Systems, of approximately $23,561,000 compared to budgeted revenues of approximately $23,509,000. The difference between actual revenues received and budgeted revenues was due to higher than expected grants received net of lower than expected student enrollments.

For the fiscal year ended June 30, 2021, the Consortium incurred actual governmental fund expenditures, excluding on-behalf payments by the Massachusetts Teachers' Retirement and State Employees' Retirement Systems, of approximately $24,628,000 compared to budgeted expenses of approximately $24,652,000. The difference between actual expenditures incurred and budgeted expenditures was primarily due to lower than expected non-payroll costs net of higher than expected personnel expenditures.

Key Financial Ratios

During 2021 and 2020, the Consortium calculated key financial ratios related to cash flows and debt. The Consortium's cost of borrowing was approximately 4% and 4%, respectively of outstanding debt during 2021 and 2020.

	2021	2020
Current Ratio	2.37	2.98

The current ratios indicate that the Consortium should be able to sufficiently pay all current liabilities with current assets on hand. A ratio of less than 1.00 would indicate the Consortium may have significant difficulties in paying current obligations.

	2021	2020
Debt Ratio	0.37	0.37

A low debt ratio indicates a strong financial position. The debt ratio of the Consortium is adequate considering construction and asset purchases in recent years and should improve as debt payments are made.

	2021	2020
Debt Coverage Ratio	0.23	2.03

The debt coverage ratio indicates the ability of the Consortium to repay its debt service using the net change in net position. With change in net position before interest, depreciation, and change in OPEB obligation of approximately $150,000, the Consortium would not have sufficient operating cash flows to meet its debt service requirements. A debt coverage ratio of more than 1.0 indicates the Consortium would not have to use reserve funds to repay its debt service.

	2021	2020
Defensive Interval Ratio	3.32	3.64

The defensive interval ratio indicates the estimated number of months the Consortium would be able to pay operating expenses and debt payments without any revenues being generated.

Contacting the Consortium

This financial report is designed to provide readers of the financial statements an overview of the Consortium's financial activities. If you have questions in regard to this report, contact our Executive Director, Francine H. Rosenberg or our Chief Financial Officer, Glenn Bergevin, at (978) 232-9755.

Northshore Education Consortium

Statement of Net Position

June 30, 2021

		Governmental Activities
ASSETS		
Current Assets:		
Cash and cash equivalents	$	5,760,753
Accounts receivable, net		1,065,113
Prepaid expenses and other assets		88,694
Total Current Assets		6,914,560
Non-current Assets:		
Capital assets, net		9,465,553
Total Non-current Assets		9,465,553
Total Assets		16,380,113
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to OPEB		6,005,141
Total Assets and Deferred Outflows of Resources	$	22,385,254
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current Liabilities:		
Note payable, current portion	$	35,264
Bonds payable, current portion		384,507
Accounts payable and accrued liabilities		2,503,670
Total Current Liabilities		2,923,441
Non-current Liabilities:		
Note payable, net of current portion		1,550,987
Bonds payable, net of current portion and $37,510 of unamortized bond fees		4,054,962
Other postemployment benefits		24,381,297
Total Non-current Liabilities		29,987,246
Total Liabilities		32,910,687
Deferred Inflows of Resources Related to OPEB		3,890,537
Net Position:		
Invested in capital assets, net of related debt		3,439,833
Unrestricted		(18,119,879)
Restricted - capital reserve fund		230,386
Restricted - other		33,690
Total Net Position		(14,415,970)
Total Liabilities, Deferred Inflows, and Net Position	$	22,385,254

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

Northshore Education Consortium
Statement of Activities
For the Year Ended June 30, 2021

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Administration	$ 1,353,647	$ -	$ -	$ (1,353,647)
Education	22,612,257	22,542,091	811,733	741,567
Intergovernmental revenue and expense	7,054,508	-	7,054,508	-
Other postemployment benefits	1,803,905	-	-	(1,803,905)
Interest expense	257,081	-	-	(257,081)
Depreciation	737,984	-	-	(737,984)
Total Governmental Activities	$ 33,819,382	$ 22,542,091	$ 7,866,241	(3,411,050)
General Revenue:				
Assessments to member districts				200,000
Interest				7,431
Gain on disposal of vehicle				-
Total General Revenue				207,431
Extraordinary Item:				
Impairment gain				555,000
Direct water damage related operating expenses				(142,894)
Insurance reimbursement of direct water damage expenses				142,894
Total Extraordinary item				555,000
Total General Revenues and Extraordinary Item				762,431
Change in Net Position				(2,648,619)
Net Position, Beginning of Year				(11,767,351)
Net Position, End of Year				$ (14,415,970)

Northshore Education Consortium
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 5,496,677	$ 230,386	$ 33,690	$ 5,760,753
Accounts receivable, net	1,065,113	-	-	1,065,113
Prepaid expenses and other assets	88,694	-	-	88,694
Total Assets	$ 6,650,484	$ 230,386	$ 33,690	$ 6,914,560
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 2,503,670	$ -	$ -	$ 2,503,670
Total Liabilities	2,503,670	-	-	2,503,670
Fund Balances:				
Nonspendable	88,694	-	-	88,694
Restricted	-	230,386	33,690	264,076
Committed	638,805	-	-	638,805
Assigned	-	-	-	-
Unassigned	3,419,315	-	-	3,419,315
Total Fund Balances	4,146,814	230,386	33,690	4,410,890
Total Liabilities and Fund Balances	$ 6,650,484	$ 230,386	$ 33,690	$ 6,914,560

Northshore Education Consortium

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2021

Total fund balances, governmental funds	$ 4,410,890
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	3,439,833
Other postemployment benefit (OPEB) liability and related deferred inflows are not a current obligation and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	(22,266,693)
Net position of governmental activities	$ (14,415,970)

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

Northshore Education Consortium
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Tuition and service revenues	$ 22,542,091	$ -	$ -	$ 22,542,091
Member assessments	200,000	-	-	200,000
Grants and contributions	811,733	-	-	811,733
Intergovernmental revenue	7,054,508	-	-	7,054,508
Interest	7,431	-	-	7,431
Total Revenues	30,615,763	-	-	30,615,763
Expenditures:				
Administration	1,353,647	-	-	1,353,647
Program payroll	17,018,810	-	-	17,018,810
Program fringe benefits and payroll taxes	3,048,990	-	-	3,048,990
Contract services and professional fees	161,272	-	-	161,272
Transportation and travel	66,485	-	-	66,485
Rent and other occupancy	1,059,992	-	-	1,059,992
Building maintenance	246,300	-	-	246,300
Telephone and utilities	302,457	-	-	302,457
Supplies and equipment	499,567	-	-	499,567
Lunch program expenses	131,877	-	-	131,877
Grant related expenses	-	-	-	-
Other	76,506	-	-	76,506
Intergovernmental expense	7,054,508	-	-	7,054,508
Capital outlay, net of debt incurred	31,929	33,412	-	65,341
Debt Service:				
Debt principal	408,697	-	-	408,697
Debt interest	253,207	-	-	253,207
Total Expenditures	31,714,244	33,412	-	31,747,656
Excess of Expenditures over Revenues	(1,098,481)	(33,412)	-	(1,131,893)
Other Financing Sources:				
Proceeds from insurance recoveries	766,894	-	-	766,894
Special water damage related expenditure	(766,894)	-	-	(766,894)
Net Change in Fund Balances	(1,098,481)	(33,412)	-	(1,131,893)
Fund Balances, Beginning of Year	5,245,295	263,798	33,690	5,542,783
Fund Balances, End of Year	$ 4,146,814	$ 230,386	$ 33,690	$ 4,410,890

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

Northshore Education Consortium

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 of total governmental funds	$ (1,131,893)

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

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

Capital outlay purchases, net of debt incurred	65,341
Depreciation	(737,984)
Impairment gain	555,000

Governmental funds report debt service payments as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only the current year interest accrued on the debt as expense.

Debt principal payments	408,697
Amortization of bond fees recorded to interest expense	(3,875)

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

Net change in other postemployment benefits (OPEB) accrual	(1,803,905)
Change in net position of governmental activities	$ (2,648,619)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consortium

Northshore Education Consortium ("The Consortium") was created by agreement pursuant to the provisions of Massachusetts General Law Chapter 40, Section 4E, as amended by Chapter 43 of the Acts of 2012. The purpose of the agreement is to provide special programs and services for school children under the members' jurisdiction. The Consortium members for fiscal 2020 were as follows: Beverly, Boxford (Tri-Town), Danvers, Gloucester, Hamilton-Wenham, Ipswich, Lynn, Lynnfield, Manchester-Essex Regional School District, Marblehead, Masconomet Regional School District, Middleton (Tri-Town), Nahant, North Reading, Peabody, Pentucket Regional School District, Reading, Rockport, Salem, Swampscott, Topsfield (Tri-Town) and Triton Regional School District.

Basis of Presentation

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

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – ***continued***

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Cash and Cash Equivalents

The Consortium considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. From time to time, the Consortium maintains account balances in banks in excess of the federally insured limits. In the event of a bank failure, the Consortium's deposits may not be returned to it. As of June 30, 2021, $5,679,320 of the Consortium's bank balances, not including uncleared transactions, was exposed to custodial credit risk.

Accounts Receivable

Accounts receivable consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

The Consortium capitalizes purchases with estimated useful lives in excess of one year and with a cost basis of $5,000 or more in its government-wide statements. Capital assets are capitalized at cost. Depreciation of all exhaustible assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Positon. Furniture and equipment are depreciated over estimated useful lives of three to seven years on a straight-line basis. Buildings and improvements are depreciated over estimated useful lives of fifteen to thirty-nine years. Leasehold improvements are amortized over the lease term or useful life.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

In the fund financial statements, capital assets are not capitalized and related depreciation is not reported. Capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity Classifications

Government-wide Statements
Equity is classified as net position and displayed in three components:

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

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

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

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

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

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

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

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

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

Revenue Recognition

Revenues consist primarily of billings to member municipalities or other cities, towns and agencies for providing programs and services and are recognized at the time services are provided. Tuition and services paid for the next year are recorded as a deferred liability at June 30 and recognized as revenue in the next fiscal year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Use of Estimates

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

Subsequent Events

The Consortium has evaluated subsequent events through October 27, 2021, which is the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net positions date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net positions date, which are necessary to disclose to keep the financial statements from being misleading.

NOTE B – CAPITAL ASSETS AND EXTRAORDINARY ITEM (IMPAIRMENT LOSS)

A summary of depreciable capital assets follows:

	Buildings & Improvements	Furniture, Equipment & Software	Vehicles	Total
COST				
Balance, July 1, 2020	$14,702,273	$ 981,353	$ 485,018	$ 16,168,644
Additions	653,952	35,389	—	689,341
Disposals	—	—	—	—
	15,356,225	1,016,742	485,018	16,857,985
ACCUMULATED DEPRECIATION				
Balance, July 1, 2020	(7,338,613)	(794,622)	(363,373)	(8,496,608)
Additions	(691,830)	(63,565)	(51,589)	(806,984)
Disposals	—	—	—	—
	(8,030,443)	(858,187)	(414,962)	(9,303,592)
Net, June 30, 2021	$ 7,325,782	$ 158,555	$ 70,056	$ 7,554,393

In fiscal 2021, the Consortium paid $10,650 for depreciable equipment at its West Peabody facility, $24,739 for depreciable equipment at its 126 Sohier Road, Beverly, facility, $6,870 for depreciable building improvements at its West Peabody facility and $647,082 for depreciable building improvements at its 112 Sohier Road, Beverly, facility. Land in the amount of $1,911,160 is not being depreciated. Depreciation expense of $737,984 was not allocated to governmental functions. It appears unallocated on the Statement of Activities. The Consortium's board approved the release of $33,412 from the Consortium's capital reserve fund to offset costs of capital asset expenditures made during the year.

During fiscal 2021, the Consortium recorded an impairment loss to improvement assets at its 112 Sohier Road, Beverly, facility, in accordance with GASB Statement No. 42 due to damage sustained in a water leak. The damage caused significant impact to service utility. The Consortium calculated an impairment loss on the asset of $69,000 based on the deflated restoration cost approach utilizing an average construction inflation rate of 3.5%. The Consortium incurred $624,000 of actual costs to restore the facility to working condition. The carrying value of the asset was adjusted downward for the $69,000 impairment loss and upward for the cost of restoration. The useful life of the overall asset was not changed since the life was not extended as a result of the restoration. The Consortium received full reimbursement of the restoration costs from its insurance policy and netted the insurance proceeds with the impairment loss and the net gain of $555,000 is presented in the Statement of Net Position as an extraordinary item due to the unique nature of the event.

In addition to the expenses described above, the Consortium incurred expenditures to temporarily relocate and operate its affected programs. All of these expenditures were not factored into the impairment loss since they were not capital in nature. In addition, all of these expenditures were reimbursed under the Consortium's insurance policies. The expenditures and related insurance reimbursements are reflected in the Statement of Activities as an extraordinary item since they were due to the unique event and would not have been incurred had the damage not occurred.

NOTE C – BOARD COMMITTED FUND BALANCE

The Consortium has elected to directly pay unemployment claims rather than funding through the Commonwealth of Massachusetts system. The Board of Directors has elected that funds be committed to allow for future claims. As of June 30, 2021, fund balance committed for unemployment claims was $60,000.

The Board of Directors has elected that funds be committed to cover retiree health benefits. As of June 30, 2021, fund balance committed for retiree health benefits was $279,000.

The Board of Directors has elected that funds be committed as tuition stabilization funds for future years. As of June 30, 2021, fund balance committed for tuition stabilization funds was $299,805.

NOTE D – LEASED FACILITIES AND EQUIPMENT

The Consortium has operating lease agreements to lease classroom space, vehicles and equipment.

During fiscal 2015, the Consortium entered into a building lease for program use on Sohier Road in Beverly, Massachusetts, commencing July 1, 2015 through June 30, 2025, with options to June 30, 2035. Annual lease payments for the first year of the lease total $680,000 and increase 2.5% each subsequent year. The Sohier Road lease represents the majority of future minimum lease obligations of the Consortium in future years.

The future minimum lease obligations under all lease agreements are as follows:

Year Ending June 30:	
2022	$ 949,191
2023	867,180
2024	858,145
2025	849,320
2026	-
	$ 3,523,836

During fiscal 2021, the Consortium temporarily rented space for displaced programs due to the water damage described in Note B. Total rent paid for the temporary space was $82,456 and there are no future lease commitments related to the temporary space at June 30, 2021

For the years ended June 30, 2021, total lease costs were $945,515.

NOTE E – LONG TERM DEBT

2011 Revenue Bonds:
In fiscal 2011, the Massachusetts Development Finance Agency (“Agency”) issued revenue bonds in the amount of $7,715,000 to refinance all of the Consortium’s previously issued revenue bonds outstanding. The bonds were issued pursuant to a loan and trust agreement dated May 26, 2011 with the Agency, the Consortium, and a local bank as trustee. On June 6, 2012, the bond agreement was amended to adjust the interest rate from 4.50% to 3.25% from June 26, 2012 to May 26, 2021. Monthly payments of principal and interest from June 26, 2012 to May 26, 2021 were $44,155. The interest rate was adjusted on June 26, 2021 to 3.45%, with new monthly payments of principal and interest of $44,583 and will be payable at that rate until maturity on May 26, 2031. The bonds are secured by a first mortgage on the property and assets of the Consortium. In the event of default, the entire unpaid principal balance and accrued interest may become due. As of June 30, 2021, the remaining principal balance of the bonds was $4,476,979.

Note Payable:
During fiscal 2018, the Consortium entered into a $1,680,000 note payable agreement with a local bank in connection with its purchase of a program facility in Topsfield, Massachusetts. The Consortium has entered into an interest rate swap agreement under which it is paying interest at a flat rate of 6.05%. The note is payable in 119 consecutive monthly installments of principal and a final balloon payment to be made in June 2028. The note is secured by a first mortgage on the property. In the event of default, the bank has the right to declare the entire unpaid principal amount and accrued interest to be due and payable. As of June 30, 2021, the remaining principal balance of the note was $1,586,251.

NOTE E – LONG TERM DEBT - *continued*

The following summarizes long-term debt activity of the Consortium for the year ended June 30, 2021:

June 30, 2020 balance	$6,471,927
Additions, fiscal 2021	—
Reductions (repayments), fiscal 2021	(408,697)
June 30, 2021 balance	$6,063,230

The Consortium paid $77,189 in fees related to the bonds issued in 2011, which have been capitalized and are amortized over the 239-month maturity period of the bonds. Amortization for the year ended June 30, 2021 was $3,875 and is reported as interest expense in the statement of activities. As of June 30, 2021, a total of $39,679 bond fees had been amortized and expensed. Net bond fees are presented as a reduction of bonds payable on the Statement of Net Position.

Due to the significant deficit incurred by the Consortium for fiscal 2021, the Consortium was unable to meet required covenants in its bond agreement described above. The bank is aware of the violation and has waived the requirement for fiscal 2021. The Consortium has evaluated the covenant violation and has determined that adjustments to the financial statements are not required and fully expects to be in compliance in fiscal 2022.

Debt service to maturity requirements for long-term debt are as follows:

Year Ending June 30:	Principal	Interest
2022	$ 419,772	$ 246,833
2023	435,664	230,941
2024	451,598	215,007
2025	469,236	197,369
2026	487,175	179,430
2027-2031	3,799,785	374,943
Thereafter	-	-
	$6,063,230	$1,444,523

Subsequent to June 30, 2021, the Consortium entered into a line of credit agreement with a local bank with a maximum borrowing capacity of $1,000,000. There is no impact to these financial statements as a result of opening the new line of credit.

NOTE F – ACCOUNTS RECEIVABLE

As of June 30, 2021, accounts receivable consists of the following:

Tuition and services	$ 1,027,848
Other	82,796
	1,110,644
Allowance for doubtful accounts	(45,531)
	$1,065,113

During fiscal 2021, the Consortium charged off $29,469 of uncollectible account balances against the allowance. The allowance is based on specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

NOTE G – MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREE SYSTEMS

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

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

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

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

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

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

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

NOTE G – MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREE SYSTEMS – *continued*

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

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

Educational Collaboratives contribute amounts equal to the normal cost of employees' benefits participating in MSERS at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives. During fiscal year 2021, the Consortium's contributions on behalf of employees totaled $321,221.

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

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

The Commonwealth is a nonemployer contributor in MTRS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS.

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

The nonemployer contributing entities' share of the collective net pension liability that is associated with the Consortium was measured as of June 30, 2020 and was $15,119,420 and $38,841,012 under MSERS and MTRS, respectively. In fiscal 2021, the Consortium recognized revenue and related expense of $2,257,087 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2021, the Consortium recognized revenue and related expense of $4,797,421 (under GASB Statement No. 68) for its portion of the collective pension expense under MTRS. These amounts are recorded as Intergovernmental revenue and expense in the financial statements.

NOTE H – RETIREMENT HEALTH BENEFITS

The Consortium follows the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions."

Description
The Consortium offers comprehensive medical insurance through Aetna and Tufts Health Plan and comprehensive dental insurance to eligible employees. An employee hired before April 2, 2012 shall become eligible to retire under these programs upon meeting the following conditions:

i. Completion of 10 years of continuous service at the Consortium
ii. And attainment of age 55 as an active member
iii. Or completion of 20 years of continuous service at the Consortium, regardless of age

An employee hired after April 2, 2012 shall become eligible to retire under these programs upon meeting the following conditions:

i. Completion of 10 years of continuous service at the Consortium
ii. And attainment of age 60 as an active member

The plan is administered by the Consortium and the Consortium shares in 50% of premiums for medical insurance. The Consortium does not share in the premiums for dental insurance.

Funding Policy
The contribution requirements of plan members and the Consortium are established and may be amended through Consortium ordinances. For the period ending on the June 30, 2021 Measurement Date, total Consortium premiums plus implicit costs for the retiree medical program were $327,807. The Consortium also made a contribution to an OPEB Trust of $0 for a total contribution during the period of $327,807 to be reported on the financial statement for the fiscal year ending June 30, 2021.

Investment Policy
During fiscal year 2020, the Consortium adopted a formal Investment Policy.

Actuarially Determined Contribution (ADC)
The Consortium's Actuarially Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which is composed of the service cost and an amortization of the unfunded liability. We have used a 30-year flat dollar amortization of the Consortium's unfunded liability for the purpose of calculating ADC. The following table shows the components of the Consortium's annual ADC for the measurement date June 30, 2021 and the amount actually contributed to the plan:

Actuarially Determined Contribution - Deficiency / (Excess)

		As of June 30, 2021
I.	Service Cost	$1,390,981
II.	30-year level dollar amortization of NOL	729,534
III.	Actuarial Determined Contribution [I. + II.]	2,120,515
IV.	Contributions in relation to the actuarially determined contribution	(327,807)
V.	Contribution deficiency / (excess) [III. + IV.]	$1,792,708
Covered employee payroll		$15,432,110
Contribution as a % of covered employee payroll		2.12%
Discount Rate		2.25%
Money Weighted Rate of Return		N/A

NOTE H – RETIREMENT HEALTH BENEFITS - *continued*

Funded Status and Funding Progress

Measurement Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio	Covered Payroll	NOL as a % of Covered Payroll
6/30/2022 (est.)	$ -	$26,643,938	$26,643,938	0.0%	$15,895,073	167.62%
6/30/2021 (est.)	$ -	$24,381,297	$24,381,297	0.0%	$15,432,110	157.99%
6/30/2020 (est.)	$ -	$18,326,884	$18,326,884	0.0%	$14,869,862	123.3%
6/30/2019	$ -	$16,817,013	$16,817,013	0.0%	$14,436,759	116.5%
7/1/2017	$ -	$16,021,702	$16,021,702	0.0%	$13,086,651	122.4%
7/1/2016	$ -	$12,231,785	$12,231,785	0.0%	$13,086,651	93.5%
7/1/2015	$ -	$9,236,079	$9,236,079	0.0%	N/A	N/A

OPEB Liability, OPEB Expense and ADC

	Fiscal Year Ended June 30, 2021		
	Non-Certified Employees and Retirees	Certified Employees and Retirees	Total
I. Total OPEB Liability	$14,455,450	$9,925,847	$24,381,297
II. Fiduciary Net Position as of June 30, 2021	-	-	-
III. Net OPEB Liability (Asset) [I.-II.]	14,455,450	9,925,847	24,381,297
IV. Service Cost	930,389	460,592	1,390,981
V. Interest on Net OPEB Liability (Asset) and Service Cost	322,832	214,933	537,765
VI. Projected Earnings on OPEB Plan Investments	-	-	-
VII. Net Recognition of Deferred (Inflows)/Outflows	120,337	82,629	202,966
VIII. Expense Related to Change in Benefit Terms	-	-	-
IX. Financial Statement Expense [IV.+V.+VI.+VII.+VIII.]	1,373,558	758,154	2,131,712
X. Employer Share of Costs	(235,113)	(92,694)	(327,807)
XI. Employer (Payments) Withdrawals to/from OPEB Trust	-	-	-
XII. Total Employer Contribution [X.+XI.]	(235,113)	(92,694)	(327,807)
XIII. Net OPEB Expense [IX.+X11.]	$1,138,445	$ 665,460	$ 1,803,905

NOTE H – RETIREMENT HEALTH BENEFITS – *continued*

Effect of 1% Change in Healthcare Trend

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Total OPEB Liability as of the June 30, 2021 Measurement Date would increase to $31,846,462 and Net OPEB Liability would increase to $31,846,462. The corresponding Service Cost would increase to $1,975,120. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Total OPEB Liability would decrease to $18,995,690 and the Net OPEB Liability would decrease to $18,995,690. The corresponding Service Cost would decrease to $1,000,304.

Effect of 1% Change in Discount Rates

As of the June 30, 2021 Measurement Date, if the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to $19,673,418 and the Net OPEB Liability would decrease to $19,673,418. The corresponding Service Cost would decrease to $1,023,766. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to $30,645,479 and the Net OPEB Liability would increase to $30,645,479. The corresponding Service Cost would increase to $1,913,664.

Actuarial Methods and Assumptions

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

Actuarial Cost Method:	Individual Entry Age Normal
Discount Rate:	2.25% per annum
General Inflation Assumption:	2.50% per annum
Annual Compensation Increases:	3.00% per annum
Actuarial Value of Assets:	Market Value

Recognition of OPEB Trust Assets

The state of Massachusetts has passed legislation allowing municipal entities to establish a Trust for Other Postemployment Benefits ("OPEB") under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 75. This legislation was amended effective November 9, 2016 to clarify who may adopt such a Trust and provide guidance on the ongoing operation of such a Trust. To the best of our knowledge, Northshore Education Consortium has not established an irrevocable trust for the purposes of prefunding liabilities under GASB 74/75. The Consortium is exploring establishing a trust effective in fiscal 2022.

Northshore Education Consortium
Notes to the Financial Statements
June 30, 2021

NOTE H – RETIREMENT HEALTH BENEFITS – ***continued***

Changes in Net OPEB Liability

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
I. Balances at June 30, 2020	$18,326,884	$ -	$18,326,884
II. Prior Period Adjustment for Change in Measurement Date	-	-	-
III. Prior Period Adjustment for Retirees not Previously Reflected	-	-	-
IV. Balances for June 30, 2020 with Adjustment [I.+II.+III.]	18,326,884	-	18,326,884
Changes for the year:			
V. Service Cost	1,390,981	-	1,390,981
VI. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	537,765	-	537,765
VII. Changes in Benefit Terms*	-	-	-
VIII. Changes in assumptions**	7,005,998	-	7,005,998
IX. Differences between actual and expected experience**	(2,552,524)	-	(2,552,524)
X. Net Investment Income	-	-	-
XI. Employer Contributions (Withdrawals) to/from Trust	-	327,807	(327,807)
XII. Benefit payments withdrawn from Trust	-	(327,807)	327,807
XIII. Benefit payments excluding Implicit Cost	(141,521)	-	(141,521)
XIV. Implicit Cost Amount	(186,286)	-	(186,286)
XV. Total Benefit payments including Implicit Cost [XIII.+XIV.]	(327,807)	-	(327,807)
XVI. Administrative and Other Charges	-	-	-
XVII. Net Changes [V.+VI.+VII.+VIII.+IX.+X.+XI.+XII.+XV.+XVI.]	$ 6,054,413	$ -	$ 6,054,413
XVI. Balances at June 30, 2021 [IV.+XVII.]	$24,381,297	$ -	$24,381,297

* Recognized immediately
** Amortized over 7 years

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

Deferred Inflows/Outflows

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of the effects of differences between expected & actual experience

Fiscal	Differences between actual & expected experience	Recognition Period (years)	Remaining Balance	2021	2022	2023	2024	2025	2026
2017	-	7.00	-	-	-	-	-	-	-
2018	-	7.00	-	-	-	-	-	-	-
2019	(2,575,460)	6.93	(1,460,543)	(371,639)	(371,639)	(371,639)	(371,639)	(345,626)	-
2020	-	6.93	-	-	-	-	-	-	-
2021	(2,552,524)	7.00	(2,187,878)	(364,646)	(364,646)	(364,646)	(364,646)	(364,646)	(364,646)
Total Remaining Balance			(3,648,421)						
Net increase (decrease) in OPEB Expense				(736,285)	(736,285)	(736,285)	(736,285)	(710,272)	(364,646)

NOTE H – RETIREMENT HEALTH BENEFITS – *continued*

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of the effects of changes in assumption

Fiscal	Differences between actual & expected experience	Recognition Period (years)	Remaining Balance	2021	2022	2023	2024	2025	2026
2017	-	7.00	-	-	-	-	-	-	-
2018	-	7.00	-	-	-	-	-	-	-
2019	(426,934)	6.93	(242,116)	(61,606)	(61,606)	(61,606)	(61,606)	(57,298)	-
2020	-	6.93	-	-	-	-	-	-	-
2021	7,005,998	7.00	6,005,141	1,000,857	1,000,857	1,000,857	1,000,857	1,000,857	1,000,857
Total Remaining Balance			5,763,025						
Net increase (decrease) in OPEB Expense				939,251	939,251	939,251	939,251	943,559	1,000,857

NOTE I – FRIENDS OF NORTHSHORE EDUCATION CONSORTIUM INC.

During fiscal 2005, the Friends of Northshore Education Consortium Inc. (“the Friends”) was formed as a non-profit supporting organization of the Consortium. The Friends operates exclusively for the purpose of providing support for the Northshore Education Consortium and has a separate board of directors. Component units are included in the reporting entity if their operational and financial relationships with the Consortium are significant. Pursuant to these criteria, the Consortium did not identify the Friends as a component unit requiring inclusion in the accompanying financial statements. During fiscal 2021, the Consortium recorded grant income from the Friends in the amount of $158,120. At June 30, 2021, balances were due from the Friends in the amount of $24,888.

NOTE J – COMMONWEALTH OF MASSACHUSETTS SURPLUS REVENUE RETENTION

The cumulative excess of revenue received from the Commonwealth of Massachusetts is the amount in accordance with the Commonwealth of Massachusetts Not-for-profit Provider Surplus Revenue Retention Policy, pursuant to 808CMR 1.19(3) of the Pricing, Reporting and Auditing for Social Programs, which allows a provider to retain, for future use, a portion of annual net surplus. Net surplus, from the revenues and expenses with services provided to purchasing agencies, which are subject to 808CMR 1.00, may not exceed 20% of said provider’s revenue annually. The Consortium had no surplus under 808CMR 1.00 as of June 30, 2021.

NOTE K – RESTRICTED FUNDS

As of June 30, 2021, restricted funds consisted of $33,690 of grants received but not yet expended for their intended purpose. All restricted grant funds are intended to be used for specific program expenditures.

NOTE L – RISK MANAGEMENT

The Consortium is exposed to various risks of loss relating to torts, theft or damage of, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Consortium has obtained a variety of commercial liability insurance policies that pass the risk of loss listed above to independent third parties. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Consortium. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

Beginning in March 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in overall economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Consortium’s operations and financial position. The Consortium did budget for and realized a significant deficit from operations in fiscal 2021 and has reflected projected adjustments in its board approved fiscal 2022 budget. Any additional financial impact to the Consortium, if any, cannot be reasonably estimated at this time. Management and the Consortium’s board of directors constantly monitor the financial and operational situation in relation to the pandemic.

NOTE M – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW c.40 § 4E

Names, duties and total compensation of the five most highly compensated employees
The five highest compensated employees of the Consortium during fiscal 2020 were as follows:

Francine Rosenberg, Executive Director - $174,250, 260-day contract, 235 working, 25 vacation
Glenn Bergevin, Chief Financial Officer - $141,254, 260-day contract, 235 working, 25 vacation
Kenneth Letzring, Director of Northshore Academy Upper School - $117,712, 260-day contract, 235 working, 25 vacation
Michelle Lipinski, Director of Northshore Recovery High School - $115,000, 260-day contract, 235 working, 25 vacation
Martha Krol, Director of Kevin O'Grady School - $110,700, 260-day contract, 235 working, 25 vacation

The duties of the individuals listed above include:
Executive Director: Overall direction, strategy, compliance, and leadership of all Consortium programs and administration.
Chief Financial Officer: Financial reporting, budgeting, cash management, payroll, benefits, HR, and facilities oversight.
Director of Northshore Academy Upper School: Program direction and leadership of Northshore Upper Academy.
Director of Northshore Recovery High School: Program direction and leadership of Recovery High School.
Director of Kevin O'Grady School: Program direction and leadership of the Kevin O'Grady School programs.

Amounts expended on services for individuals aged 22 years and older
The Consortium does not provide services to individuals, age 22 or older.

Amounts expended on administration and overhead
Total administrative costs incurred by the Consortium totaled $1,353,647 for the year ended June 30, 2021. Administration expenses include all costs associated with the Consortium's administrative office (i.e., executive director, finance staff, human resources, etc.), as well as other costs associated with maintaining that office (i.e. occupancy, supplies, etc.). The Consortium directly applies salaries, where appropriate, to its programs and allocates related employee benefits and taxes to those programs. Occupancy, supplies, maintenance and any other cost that can be directly applied, or reasonably allocated, are reported under program expense. Total overhead expenses allocated to various Consortium programs totaled $1,167,675.

Accounts held by the consortium that may be spent at the discretion of another person or entity
As of June 30, 2021, the Consortium did not hold any accounts that may be spent at the discretion of another person or entity.

Transactions between the consortium and any related for-profit or non-profit organization
Transactions with a related non-profit organization are described in Note I to the financial statements.

Transactions or contracts related to purchase, sale, rental or lease of real property
Transactions or contracts related to the purchase, sale, rental, or lease of real property are described in Notes B, D and E to the financial statements.

NOTE M – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW c.40 § 4E – *continued*

Annual determination and disclosure of cumulative surplus

Cumulative Surplus Calculation – FY21							Page(s) in financial statements
(A)	**Surplus as of June 30, 2020**			$	5,245,295	(A)	**p. 12**
	(Breakdown of use of 2020 surplus)						
	B(1) used to support the FY21 budget	$	1,098,481				
	B(2) issued as credits to member districts	$	-				
	B(3) issued as a check(s) to member district(s)	$	-				
	B(4) deposited to a restricted account(s)	$	-				
(B)	**Board voted uses of surplus funds during FY21**		*(total from B1:B4)*	$	1,098,481	(B)	**p. 12**
(C)	**Unexpended FY21 General Funds**			$	-	(C)	**p. 12**
(D)	Cumulative Surplus as of June 30, 2021		(A) - (B) + (C) = (D)	$	4,146,814	(D)	**p. 12**
(E)	**FY21 Total General Fund Expenditures***			$	24,659,736	(E)	**p. 12**
(F)	Cumulative Surplus Percentage		(D) ÷ (E)		**16.82%**	(F)	

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

(G)	Cumulative surplus as of June 30, 2021			$	4,146,814
			25% limit (allowed)	$	6,164,934
(H)	Cumulative Surplus **REDUCTIONS**				
	(H)1 Credited to member districts for tuition, services, etc.	$	-		
	(H)2 Deposited to an established trust and/or reserve fund	$	-		
	(H)3 Returned (check) to school districts/towns	$	-		
			Total Reductions	$	-
			FY21 Cumulative Surplus Percentage after Reductions		**16.82%**

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

Northshore Education Consortium

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

	Original Budget	**Final Budget**	**Actual**	**Variance with Final Budget Favorable (Unfavorable)**
Revenues:				
Tuition and service revenues	$ 23,867,554	$ 22,644,066	$ 22,542,091	$ (101,975)
Member assessments	200,000	200,000	200,000	-
Grants and contributions	666,000	655,630	811,733	156,103
Intergovernmental revenue	-	-	7,054,508	7,054,508
Interest	40,000	8,949	7,431	(1,518)
Total Revenues	24,773,554	23,508,645	30,615,763	7,107,118
Expenditures:				
Payroll	17,674,826	17,200,269	17,018,810	181,459
Fringe benefits and payroll taxes	3,327,208	3,318,816	3,048,990	269,826
Non-salary expense	989,171	621,742	935,707	(313,965)
Occupancy/Fixed costs	2,660,554	2,385,208	2,270,653	114,555
Administration	1,179,131	1,125,619	1,353,647	(228,028)
Intergovernmental expense	-	-	7,054,508	(7,054,508)
Total Expenditures	25,830,890	24,651,654	31,682,315	(7,030,661)
Excess or revenues over expenditures	$ (1,057,336)	$ (1,143,009)	$ (1,066,552)	$ 76,457
Other Budget Items:				
Gain on disposal of vehicle	$ -	$ -	$ -	$ -
Capital budget items	-	-	(31,929)	31,929
	$ -	$ -	$ (31,929)	$ 31,929

Notes to statement:

The Board of Directors annually determines the budget to maintain and operate the Consortium 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 and may be revised by board approval during the year. The above statement presents a comparison of budgetary data to actual results.

Note: The statement above is presented on the same basis used by the Consortium to present its internal budget to actual comparison and account groupings are not necessarily consistent with the Statement of Revenue, Expenditures and Changes in Fund Balances presented on page 12. Also, capital budget items presented above include actual capital outlays and transfers made to or from the Capital Reserve Fund. Intergovernmental revenue and expense is not budgeted by the Consortium because it is actuarially determined annually and does not require actual expenditure by the Consortium.

Northshore Education Consortium

OPEB Plan - Required Supplementary Information

As of the June 30, 2021 Measurement Date

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

Actuarially Determined Contribution - Deficiency/(Excess)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
I. Service Cost	1,390,981	1,298,493	1,196,012	1,479,535	1,270,857
II. 30 year level dollar amortization of NOL	729,534	880,839	808,271	817,483	921,308
III. Actuarially Determined Contribution [I.+II.]	2,120,515	2,179,332	2,004,283	2,297,018	2,192,165
IV. Contributions in relation to the actuarially determined contribution	(327,807)	(282,934)	(234,238)	(181,076)	(112,962)
V. Contribution deficiency/(excess) [III.+IV.]	1,792,708	1,896,398	1,770,045	2,115,942	2,079,203
Covered employee payroll	15,432,110	14,869,862	14,436,759	13,086,651	13,086,651
Contributions as a % of covered employee payroll	2.12%	1.90%	1.62%	1.38%	0.86%
Discount Rate	2.25%	2.75%	2.75%	3.25%	3.25%
Money Weighted Rate of Return	N/A	N/A	N/A	N/A	N/A

Schedule Presentation

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

Northshore Education Consortium

OPEB Plan - Required Supplementary Information

As of the June 30, 2021 Measurement Date

Schedule of Changes in the Consortium's Net OPEB Liability and Related Ratios					
Valuation Date	**July 1, 2020**	**July 1, 2018**	**July 1, 2018**	**July 1, 2016**	**July 1, 2016**
For the Reporting Period & Fiscal Year ending on:	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability	24,381,297	18,326,884	16,817,013	18,324,031	16,021,702
I. Service Cost	1,390,981	1,298,493	1,196,012	1,479,535	1,270,857
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	537,765	494,312	533,602	565,871	506,107
III. Changes in Benefit terms	-	-	-	-	-
IV. Difference between Expected & Actual Plan Experience	(2,552,524)	-	(2,575,460)	-	-
V. Changes of Assumption	7,005,998	-	(426,934)	-	-
VI. Benefit Payments Excluding Implicit Cost	(141,521)	(202,929)	(145,822)	(142,611)	(82,309)
VII. Implicit Cost Amount	(186,286)	(80,005)	(88,416)	(38,465)	(30,653)
VIII. Total Benefit payments including Implicit Cost [VI.+VII.]	(327,807)	(282,934)	(234,238)	(181,076)	(112,962)
IX. Net Change in OPEB liability [I.+II.+III.+IV.+V.+VIII.]	6,054,413	1,509,871	(1,507,018)	1,864,330	1,664,002
X. Total OPEB liability - beginning of period	18,326,884	16,817,013	18,324,031	16,021,702	14,357,700
XI. Prior Period Adjustment for Retirees not Previously Reflected	-	-	-	437,999	-
XII. Total OPEB Liability - end of period	24,381,297	18,326,884	16,817,013	18,324,031	16,021,702
Plan Fiduciary Net Position	-	-	-	-	-
XIII. Earning from Plan Investments	-	-	-	-	-
XIV. Employer Contribution to trust	327,807	282,934	234,238	181,076	112,962
XV. Benefit payments from trust, including refunds of member contributions	(327,807)	(282,934)	(234,238)	(181,076)	(112,962)
XVI. Administrative expense	-	-	-	-	-
XVII. Other	-	-	-	-	-
XVIII. Net change in plan fiduciary net position [XIII.+XIV.+XV.+XVI.+XVII.]	-	-	-	-	-
XIX. Plan fiduciary net position - beginning of period	-	-	-	-	-
XX. Plan fiduciary net position - end of period [XVIII.+XIX.]	-	-	-	-	-
XXI. Net OPEB Liability [XII.-XX.]	24,381,297	18,326,884	16,817,013	18,324,031	16,021,702
XXII. Plan fiduciary net position as a % of total OPEB liability [XX./XII.]	0.00%	0.00%	0.00%	0.00%	0.00%
XXIII. Covered employee payroll	15,432,110	14,869,862	14,436,759	13,086,651	13,086,651
XXIV. Plan NOL as % of covered employee payroll [XXI./XXIII]	157.99%	123.25%	116.49%	140.02%	122.43%
Single Discount Rate to calculate Plan Liabilities	2.25%	2.75%	2.75%	3.25%	3.25%

Schedule Presentation

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

Northshore Education Consortium
OPEB Plan - Required Supplementary Information
As of the June 30, 2021 Measurement Date

Notes to Required Supplementary Information:

Valuation Date:	Actuarially Determined Contribution was calculated as of July 1, 2020.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2021.

Actuarial Assumptions:

Investment Rate of Return:	N/A
Municipal Bond Rate:	2.18% as of June 30, 2021 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Single Equivalent Discount Rate:	2.25%, net of OPEB plan investment expense, including inflation.
Inflation:	2.50% as of June 30, 2021 and for future periods
Salary Increases:	3.00% annually as of June 30, 2021 and for future periods
Cost of Living Adjustment:	Not Applicable
Pre-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality:	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Northshore Education Consortium
OPEB Plan - Required Supplementary Information
As of the June 30, 2021 Measurement Date

Notes to Required Supplementary Information (Continued):

Plan Membership

Plan Membership: At July 1, 2020, the OPEB plan membership consisted for the following

Inactive employees or beneficiaries currently receiving benefits:	27
Active Employees:	276
Total:	303

Events Subsequent to the Measurement Date

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

Changes in Assumptions: From July 1, 2019 to June 30, 2021

* Discount rate is 2.25% previously 3.75%
* Based on recommendations by PERAC, the mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females
* Based on recent research by the Society of Actuaries, we have updated the assumption for morbidity or age-related costs of medical care
* Based on recent actuarial research we have adopted the Getzen model for future healthcare cost increases

Contributions:

The contribution requirements of plan members and the Consortium are established and may be amended through Consortium ordinances. The Consortium contributed $0 beyond the pay-as-you go cost for the period on the June 30, 2019 Measurement Date. For the year ending on the June 30, 2021 Measurement Date total Consortium premiums plus implicit costs for the retiree medical program were $327,807. $186,286 of the $327,807 represents implicit costs.

Northshore Education Consortium

Schedule of the Consortium's Proportionate Share of Net Pension Liability

For the Year Ended June 30, 2021

		MTRS	MSERS
Consortium's proportion of the net pension liability	FY2014	0.12256%	0.07725%
	FY2015	0.12008%	0.07287%
	FY2016	0.11008%	0.07311%
	FY2017	0.11142%	0.07905%
	FY2018	0.12395%	0.08766%
	FY2019	0.12989%	0.09076%
	FY2020	0.13607%	0.08812%
Consortium's proportionate share of the net pension liability	FY2014	$ 19,481,867	$ 5,735,474
	FY2015	$ 24,604,621	$ 8,295,013
	FY2016	$ 24,611,520	$ 10,080,646
	FY2017	$ 25,499,016	$ 10,138,266
	FY2018	$ 29,389,617	$ 11,597,381
	FY2019	$ 32,751,366	$ 13,281,587
	FY2020	$ 38,841,012	$ 15,119,420
Consortium's covered-employee payroll	FY2014	$ 7,030,404	$ 4,092,673
	FY2015	$ 6,873,348	$ 3,992,230
	FY2016	$ 7,032,490	$ 3,225,780
	FY2017	$ 7,805,331	$ 4,626,178
	FY2018	$ 8,143,622	$ 5,011,788
	FY2019	$ 9,403,907	$ 5,594,066
	FY2020	$ 10,412,782	$ 5,399,790
Consortium's proportionate share of the net pension liability as a percentage of its covered-employee payroll	FY2014	277.11%	140.14%
	FY2015	357.97%	207.78%
	FY2016	349.97%	312.50%
	FY2017	326.69%	219.15%
	FY2018	360.89%	231.40%
	FY2019	348.27%	237.42%
	FY2020	373.01%	280.00%
Plan fiduciary net position as a percentage of the total pension liability	FY2014	61.64%	76.32%
	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%
	FY2017	54.25%	67.21%
	FY2018	54.84%	67.91%
	FY2019	53.95%	66.28%
	FY2020	50.67%	62.48%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System and MSERS is the Massachusetts State Employees' Retirement System. Also, see Note G to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2020.

Schedule Presentation

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

Northshore Education Consortium
Schedule of Pension Contributions
For the Year Ended June 30, 2021

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
MTRS							
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consortium's covered-employee payroll	$ 7,030,404	$ 6,873,348	$ 7,032,490	$ 7,805,331	$ 8,143,622	$ 9,403,907	$10,412,782
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MSERS							
Contractually required contribution	$ 229,190	$ 223,347	$ 180,644	$ 259,066	$ 297,829	$ 340,598	$ 310,464
Contributions in relation to the contractually required contribution	$ 229,190	$ 223,347	$ 180,644	$ 259,066	$ 297,829	$ 340,598	$ 310,464
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consortium's covered-employee payroll	$ 4,092,673	$ 3,992,230	$ 3,225,780	$ 4,626,178	$ 5,011,788	$ 5,594,066	$ 5,399,790
Contributions as a percentage of covered-employee payroll	5.60%	5.59%	5.60%	5.60%	5.94%	6.09%	5.75%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System and MSERS is the Massachusetts State Employees' Retirement System. Also, see Note G to financial statements.

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2020.

Schedule Presentation

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

Contributions

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

FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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

To the Board of Directors of
Northshore Education Consortium
Beverly, 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 Northshore Education Consortium (a collaborative organized under the General Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Northshore Education Consortium's basic financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Northshore Education Consortium's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northshore Education Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northshore Education Consortium'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Fritz DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts
October 27, 2021

NORTHSHORE
EDUCATION
CONSORTIUM

tel: fax:

Francine H. Rosenberg M.Ed.

ACCEPTANCE OF THE BOARD OF DIRECTORS: AUDIT

We, the Board of Directors of the Northshore Education Consortium, have voted to accept the representations of management and the expression of the opinions made by Fritz DeGuglielmo LLC as embodied in the financial statements, required supplementary information and independent auditor's reports for the year ended June 30, 2021.

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

Board President

10/29/21

Date