

Northshore Education Consortium

Financial Statements

For the Year Ended
June 30, 2023

Northshore Education Consortium
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For the Year Ended June 30, 2023

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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information Northshore Education Consortium (a collaborative organized under the General Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Northshore Education Consortium's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northshore Education Consortium, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principal

As discussed in Note A to the financial statements, in fiscal 2023, the Consortium fully implemented Governmental Accounting Standards Board Statements No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northshore Education Consortium's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, OPEB Plan – Required Supplementary Information, and pension schedules on pages 3-7 and 30-36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2023, 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 the 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.



Certified Public Accountant

Newburyport, Massachusetts

October 25, 2023

Northshore Education Consortium
Management's Discussion and Analysis
(unaudited)
June 30, 2023

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, 2023 with comparative information from June 30, 2022 and 2021. 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.

Northshore Education Consortium
Management's Discussion and Analysis
(unaudited)
June 30, 2023

Government-Wide Financial Highlights

Consortium's Net Position:

ASSETS AND DEFERRED OUTFLOWS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 6,678,853	\$ 6,745,892	\$ 6,914,560
Non-current assets, net*	<u>16,277,490</u>	<u>17,054,920</u>	<u>9,465,553</u>
Total Assets	<u>\$22,956,343</u>	<u>\$23,850,812</u>	<u>\$16,380,113</u>
Deferred outflows of resources related to OPEB	<u>\$ 4,639,739</u>	<u>\$ 5,004,284</u>	<u>\$ 6,005,141</u>
Total Assets & Deferred Outflows	<u>\$27,596,082</u>	<u>\$28,855,096</u>	<u>\$22,385,254</u>

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Liabilities & Deferred Inflows

Current liabilities	\$ 3,028,270	\$ 2,867,457	\$ 2,923,441
Other postemployment benefits & deferred inflows	28,444,398	28,657,691	28,271,834
Bonds, notes payable, SBITA & lease liabilities, net			
Of current portion & unamortized bond fees*	<u>12,434,450</u>	<u>13,214,092</u>	<u>5,605,949</u>
Total Liabilities & Deferred Inflows	<u>\$43,907,118</u>	<u>\$44,739,240</u>	<u>\$36,801,224</u>

Net Position

Invested in SBITA, leased & capital assets, net of related liabilities*	\$ 2,886,452	\$ 2,927,379	\$ 3,439,833
Unrestricted	(19,499,102)	(19,082,454)	(18,119,879)
Restricted – capital reserve fund	301,614	242,785	230,386
Restricted - other	-	28,146	33,690
	<u>\$(16,311,036)</u>	<u>\$(15,884,144)</u>	<u>\$(14,415,970)</u>

In 2023, Northshore Education Consortium's net position decreased by \$426,892. The decrease was primarily a result of recording the estimated expense for postretirement health benefit obligations in accordance with GASB Statement No. 75 and the cumulative adjustment for leased assets in accordance with GASB Statement No. 87 during fiscal 2023.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Charges for services	\$26,571,610	\$25,356,240	\$22,542,091
Operating grants and contributions	1,206,744	906,409	811,733
Member assessments	200,000	512,500	200,000
Interest	45,890	3,706	7,431
Gain on assets	-	460,376	-
Net extraordinary item	-	-	555,000
Operating Expenses	<u>(28,299,884)</u>	<u>(26,833,101)</u>	<u>(24,960,969)</u>
Change in net position before increase			
in net retirement health benefit obligation	(275,640)	406,130	(844,714)
Increase in net retirement health benefit obligation	<u>(151,252)</u>	<u>(1,386,714)</u>	<u>(1,803,905)</u>
Change in net position*	<u>\$ (426,892)</u>	<u>\$ (980,584)</u>	<u>\$(2,648,619)</u>

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.

Northshore Education Consortium
Management's Discussion and Analysis
(unaudited)
June 30, 2023

*During 2023, the Consortium implemented GASB Statement No. 96. No adjustment to net position at the beginning of the year was required. During 2022, the Consortium implemented GASB Statement No. 87 and as a result, made adjustments effective July 1, 2021 for right-of-use leased assets and related liabilities. The information above includes information reported under GASB Statement No. 87 in 2022 and 2023 and GASB Statement No. 96 in 2023 and does not adjust for SBITA or lease assets or liabilities in prior presented years. In addition, the change in net position reflects the 2022 net change, not including the cumulative effect of implementing GASB Statement No. 87, of \$487,560.

Revenues

In 2023, operating revenues increased by \$1,245,389, or 5% over the prior fiscal year, due mainly to increased student enrollment and services provided.

Expenditures

In 2023, operating expenses increased by \$1,466,783, or 5% over the prior fiscal year, due mainly to increased personnel costs and related expenditures to meet the increased enrollment demands.

Governmental Funds Financial Highlights

The Consortium reported a total general fund balance of \$4,305,557, of which \$3,248,302 is unassigned. The fund balance decreased \$265,396 from the prior fiscal year, including an approved \$400,000 transfer to the Consortium's capital reserve fund. Cash and cash equivalents decreased \$457,273 and accounts receivable increased \$143,678. Accounts payable and accrued liabilities increased by \$117,674. All of these changes are related to operational activities and year end timing of expenditures.

Capital Assets and Debt Administration

In fiscal 2023, the Consortium incurred expenditures of \$54,400 for vehicles and \$434,942 for depreciable building improvements at its 112 Sohler Road, Beverly, facility. The Consortium's board approved a transfer of \$400,000 from its general fund to help cover the cost of an HVAC system and other capital assets and released \$345,950 of the reserve to cover actual expenditures during the year. As of June 30, 2023, remaining capital reserve funds were \$301,614. The Consortium also received a grant to assist in covering the cost of the HVAC system. The HVAC system may take multiple fiscal years to replace, therefore the Consortium has elected to account for the project using a capital project fund. All funds received into the capital project fund during the year had been expended by the end of the fiscal year and there was no remaining fund balance at June 30, 2023.

In fiscal 2022, the Consortium paid \$37,523 for depreciable equipment and \$36,373 for depreciable building improvements at its 112 Sohler Road, Beverly, facility. Land in the amount of \$1,911,160 is not being depreciated. During fiscal 2021, the Consortium paid \$10,650 for depreciable equipment at its West Peabody facility, \$24,739 for depreciable equipment at its 126 Sohler Road, Beverly, facility, \$6,870 for depreciable building improvements at its West Peabody facility and \$647,082 for depreciable building improvements at its 112 Sohler Road, Beverly, facility.

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

Northshore Education Consortium
Management's Discussion and Analysis
(unaudited)
June 30, 2023

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, 2023, and 2022, the remaining principal balance of the bonds was \$3,694,298 and \$4,092,472, respectively. As of June 30, 2023, and 2022, the remaining principal balance of the note payable was \$1,513,498 and \$1,550,987, respectively. During fiscal 2023 and 2022, the principal of the bonds was paid down by \$398,174 and \$384,507, respectively. During fiscal 2023 and 2022, the principal of the note payable was paid down by \$37,489 and \$35,264, respectively. The current portion of bonds due in fiscal 2023 is \$411,997 and the current portion of the note payable is \$39,600.

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

Subscription Based Information Technology Arrangement (SBITA) & Leased Assets and Liabilities

During 2023, the Consortium implemented GASB Statement No. 96 which requires recording right-of-use SBITA assets and related liabilities for all long-term SBITAs. The Consortium recorded the assets and liabilities effective July 1, 2022 with no cumulative effect for a change in accounting principal to the prior year ending net position. As of June 30, 2023, the Consortium recognized right-of-use assets totaling \$63,935, net of accumulated amortization of \$12,787 and SBITA liabilities of \$52,866 for its long-term SBITAs. See Note D in the notes to the financial statements for additional information on the Consortium's SBITAs.

During 2022, the Consortium implemented GASB Statement No. 87 which requires recording right-of-use leased assets and related liabilities for all long-term leases. The Consortium recorded the lease assets and liabilities effective July 1, 2021 with a cumulative effect for a change in accounting principal to the prior year ending net position of \$487,590. As of June 30, 2023, the Consortium recognized right-of-use assets totaling \$8,970,690, net of accumulated amortization of \$1,234,732 and lease liabilities of \$8,160,138 for facility, vehicle and equipment leases. See Note D in the notes to the financial statements for additional information on the Consortium's leases.

Budgetary Highlights

The Consortium's annual budget for fiscal 2023 was approved by its Board of Directors. The budget was revised mid-year. For the fiscal year ended June 30, 2023, the Consortium received revenues, excluding on-behalf payments by the Massachusetts Teachers' Retirement and State Employees' Retirement Systems, of approximately \$27,919,000 compared to final budgeted revenues of approximately \$27,608,000. The difference between actual revenues received and final budgeted revenues was due to higher-than-expected grants received.

For the fiscal year ended June 30, 2023, the Consortium incurred actual governmental fund expenditures, excluding on-behalf payments by the Massachusetts Teachers' Retirement and State Employees' Retirement Systems, of approximately \$27,785,000 compared to final budgeted expenses of approximately \$27,545,000. The difference between actual expenditures incurred and budgeted expenditures was primarily due to slightly higher than expected payroll and occupancy costs.

Northshore Education Consortium
Management's Discussion and Analysis
(unaudited)
June 30, 2023

Key Financial Ratios

During 2023 and 2022, 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 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Current Ratio	<u>2.21</u>	<u>2.17</u>

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.

	<u>2023</u>	<u>2022</u>
Debt Ratio (not including SBITA or lease asset/liability)	<u>0.34</u>	<u>0.36</u>

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.

	<u>2023</u>	<u>2022</u>
Debt Coverage Ratio	<u>1.32</u>	<u>1.70</u>

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 \$902,013, the Consortium would 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.

	<u>2023</u>	<u>2022</u>
Defensive Interval Ratio	<u>2.68</u>	<u>2.95</u>

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.

Known Facts, Decisions, or Conditions

The Consortium implemented a new standard from the GASB, Statement No. 96, in fiscal year 2023. The standard changes the recognition of SBITAs in the Consortium's financial statements. Long-term SBITAs are required to be recorded as assets with related liabilities for future payments. The change impacted the Consortium's total assets and liabilities in its government-wide financial statements but did not significantly impact its governmental fund financial statements. See Note D in the notes to the financial statements for additional information on the Consortium's SBITAs.

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, Larry Fleming, at (978) 232-9755.

Northshore Education Consortium

Statement of Net Position

June 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,861,387
Accounts receivable, net	1,399,016
Prepaid expenses and other assets	418,450
Total Current Assets	6,678,853
Non-current Assets:	
Right-of-use SBITA assets, net of accumulated amortization	51,148
Right-of-use leased assets, net of accumulated amortization	7,735,958
Capital assets, net of accumulated depreciation	8,490,384
Total Non-current Assets	16,277,490
Total Assets	22,956,343
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to OPEB	4,639,739
Total Assets and Deferred Outflows of Resources	\$ 27,596,082
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	
Current Liabilities:	
Note payable, current portion	\$ 39,600
Bonds payable, current portion	411,997
SBITA liabilities, current portion	11,867
Lease liabilities, current portion	493,124
Accounts payable and accrued liabilities	2,071,682
Total Current Liabilities	3,028,270
Non-current Liabilities:	
Note payable, net of current portion	1,473,898
Bonds payable, net of current portion and \$29,762 of unamortized bond fees	3,252,539
SBITA liabilities, net of current portion	40,999
Lease liabilities, net of current portion	7,667,014
Other postemployment benefits	15,898,325
Total Non-current Liabilities	28,332,775
Total Liabilities	31,361,045
Deferred Inflows of Resources Related to OPEB	12,546,073
Net Position:	
Invested in capital assets, net of related debt	3,312,350
Invested in right-to-use SBITA assets, net of related liabilities	(1,718)
Invested in right-to-use leased assets, net of related liabilities	(424,180)
Unrestricted	(19,499,102)
Restricted - capital reserve fund	301,614
Restricted - other	-
Total Net Position	(16,311,036)
Total Liabilities, Deferred Inflows, and Net Position	\$ 27,596,082

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

Northshore Education Consortium

Statement of Activities

For the Year Ended June 30, 2023

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration	\$ 1,727,470	\$ -	\$ -	\$ (1,727,470)
Education	24,391,531	26,571,610	1,206,744	3,386,823
Intergovernmental revenue and expense	3,892,273	-	3,892,273	-
Other postemployment benefits	151,252	-	-	(151,252)
Interest expense-debt service	233,598	-	-	(233,598)
Interest expense-SBITA liabilities	4,123	-	-	(4,123)
Interest expense-lease liabilities	498,583	-	-	(498,583)
Depreciation	655,627	-	-	(655,627)
Amortization expense: Right-of-use assets	788,952	-	-	(788,952)
Total Governmental Activities	\$ 32,343,409	\$ 26,571,610	\$ 5,099,017	(672,782)
General Revenue:				
Assessments to member districts				200,000
Interest				45,890
Total General Revenue				245,890
Total General Revenues and Extraordinary Item				245,890
Change in Net Position				(426,892)
Net Position, Beginning of Year				(15,884,144)
Net Position, End of Year				\$ (16,311,036)

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

Northshore Education Consortium

Balance Sheet

Governmental Funds

June 30, 2023

	General Fund	Capital Reserve Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,559,773	\$ 301,614	\$ -	\$ -	\$ 4,861,387
Accounts receivable, net	1,399,016	-	-	-	1,399,016
Prepaid expenses and other assets	418,450	-	-	-	418,450
Total Assets	\$ 6,377,239	\$ 301,614	\$ -	\$ -	\$ 6,678,853
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,071,682	\$ -	\$ -	\$ -	\$ 2,071,682
Total Liabilities	2,071,682	-	-	-	2,071,682
Fund Balances:					
Nonspendable	418,450	-	-	-	418,450
Restricted	-	301,614	-	-	301,614
Committed	638,805	-	-	-	638,805
Assigned	-	-	-	-	-
Unassigned	3,248,302	-	-	-	3,248,302
Total Fund Balances	4,305,557	301,614	-	-	4,607,171
Total Liabilities and Fund Balances	\$ 6,377,239	\$ 301,614	\$ -	\$ -	\$ 6,678,853

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

Northshore Education Consortium
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total fund balances, governmental funds \$ 4,607,171

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 8,490,384

Right-of-use SBITA assets, net of accumulated amortization, used in governmental activities are not financial resources and therefore are not reported in the funds. 51,148

Right-of-use leased assets, net of accumulated amortization, used in governmental activities are not financial resources and therefore are not reported in the funds. 7,735,958

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Long-term debt related to capital assets (5,178,034)

Long-term SBITA liabilities related to right-of-use leased assets (52,866)

Long-term lease liabilities related to right-of-use leased assets (8,160,138)

Other postemployment benefit (OPEB) liability and related deferred inflows and outflows 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. (23,804,659)

Net position of governmental activities \$ (16,311,036)

Northshore Education Consortium
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Capital Reserve Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Tuition and service revenues	\$ 26,571,610	\$ -	\$ -	\$ -	\$ 26,571,610
Member assessments	200,000	-	-	-	200,000
Grants and contributions	1,106,744	-	100,000	-	1,206,744
Intergovernmental revenue	3,892,273	-	-	-	3,892,273
Interest	41,111	4,779	-	-	45,890
Total Revenues	31,811,738	4,779	100,000	-	31,916,517
Expenditures:					
Administration	1,727,470	-	-	-	1,727,470
Program payroll	19,360,320	-	-	-	19,360,320
Program fringe benefits and payroll taxes	3,152,936	-	-	-	3,152,936
Contract services and professional fees	98,039	-	-	-	98,039
Transportation and travel	177,097	-	-	-	177,097
Occupancy	147,325	-	-	-	147,325
Building maintenance	325,512	-	-	-	325,512
Telephone and utilities	322,997	-	-	-	322,997
Supplies and equipment	526,983	-	-	-	526,983
Lunch program expenses	174,946	-	-	-	174,946
Other	77,226	-	-	28,146	105,372
Intergovernmental expense	3,892,273	-	-	-	3,892,273
Capital outlay, net of debt incurred	43,392	11,008	434,942	-	489,342
Lease/SBITA right-of-use asset	214,985	-	-	-	214,985
Debt & Lease Service:					
Debt principal	435,663	-	-	-	435,663
Debt interest	229,725	-	-	-	229,725
Lease/SBITA financing principal	482,524	-	-	-	482,524
Lease/SBITA interest	502,706	-	-	-	502,706
Total Expenditures	31,892,119	11,008	434,942	28,146	32,366,215
Excess of Expenditures over Revenues	(80,381)	(6,229)	(334,942)	(28,146)	(449,698)
Other Financing Sources:					
Lease/SBITA financing	214,985	-	-	-	214,985
Transfer to capital reserve fund	-	(334,942)	334,942	-	-
Transfer to capital project fund	(400,000)	400,000	-	-	-
Net Change in Fund Balances	(265,396)	58,829	-	(28,146)	(234,713)
Fund Balances, Beginning of Year	4,570,953	242,785	-	28,146	4,841,884
Fund Balances, End of Year	\$ 4,305,557	\$ 301,614	\$ -	\$ -	\$ 4,607,171

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, 2023

Net change in fund balances of total governmental funds \$ (234,713)

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

Governmental funds report outlays for capital assets and right-of-use leased 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 or amortization expense for the period. Governmental funds do not report inflows from assets held to purchase capital assets or finance leased assets because such assets are not considered current financial resources. In contrast, the Statement of Activities does report the inflows as revenue.

Capital outlay purchases, net of debt incurred	489,342
Depreciation	(655,627)
Lease/SBITA right-of-use asset	214,985
Lease/SBITA financing	(214,985)
Amortization	(788,952)
	<u>(955,237)</u>

Governmental funds report debt service and lease financing 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 liability as expense.

Debt principal payments	435,663
Amortization of bond fees recorded to interest expense	(3,877)
Lease/SBITA financing principal	482,524
	<u>914,310</u>

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	<u>(151,252)</u>
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Change in net position of governmental activities \$ (426,892)

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

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 2023 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.

Cumulative effect of change in accounting principle

The Consortium has fully implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“SBITAs”). Statement No. 96 requires the present value of long-term SBITAs be recorded as an asset of the Consortium and future payments to be recorded as a liability. The asset is required to be amortized ratably over the SBITA term and payments are allocated between interest expense and liability payments. Previously, SBITA payments were expensed as incurred with no corresponding asset or liability recorded. The significant impact to the Consortium’s financial statements is to the government-wide financials statements. There was no change in the opening balance in the government-wide or governmental fund balances as a result of the cumulative effect of this change in accounting principle since the Consortium did not have any long-term SBITA agreements prior to fiscal 2023.

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.

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

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

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.

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.

Capital project fund - is 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. The Consortium has started an HVAC replacement project on one of its properties which may span across several fiscal years and is accounting for the project using this fund.

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.

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

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

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, 2023, \$5,314,752 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 and Right-of-use 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 Position. 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.

The Consortium records long-term lease and SBITA assets and related liabilities for all assets with a term extending beyond 12 months. The asset is recorded as the discounted present value of required payments and is amortized ratably over the shorter of the lease or agreement term or the underlying asset's useful life.

In the fund financial statements, capital, SBITA and right-of-use leased assets are not capitalized and related depreciation or amortization is not reported. Such assets used in governmental fund operations are accounted for as capital, SBITA or lease 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.

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

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

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.

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 25, 2023, 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

A summary of depreciable capital assets follows:

	<u>Buildings & Improvements</u>	<u>Furniture, Equipment & Software</u>	<u>Vehicles</u>	<u>Total</u>
<u>COST</u>				
Balance, July 1, 2022	\$15,392,598	\$1,054,265	\$485,019	\$16,931,882
Additions	434,942	—	54,400	489,342
Disposals	—	—	—	—
	<u>15,827,540</u>	<u>1,054,265</u>	<u>539,419</u>	<u>17,421,224</u>
<u>ACCUMULATED DEPRECIATION</u>				
Balance, July 1, 2022	(8,789,942)	(955,463)	(440,968)	(10,186,373)
Additions	(572,648)	(47,681)	(35,298)	(655,627)
Disposals	—	—	—	—
	<u>(9,362,590)</u>	<u>(1,003,144)</u>	<u>(476,266)</u>	<u>(10,842,000)</u>
Net, June 30, 2023	<u>\$ 6,464,950</u>	<u>\$ 51,121</u>	<u>\$ 63,153</u>	<u>\$ 6,579,224</u>

Northshore Education Consortium
Notes to the Financial Statements
June 30, 2023

NOTE B – CAPITAL ASSETS - *continued*

In fiscal 2023, the Consortium incurred expenditures of \$54,400 for vehicles and \$434,942 for depreciable building improvements at its 112 Sohler Road, Beverly, facility. The Consortium's board approved a transfer of \$400,000 from its general fund to help cover the cost of the HVAC system and other capital assets and released \$345,950 of the reserve. As of June 30, 2023, remaining capital reserve funds were \$301,614. The Consortium also received a grant to assist in covering the cost of the system. Because the system may take multiple fiscal years to replace, the Consortium has elected to account for the project using a capital project fund. All funds received into the capital project fund during the year had been expended by the end of the fiscal year and there was no remaining fund balance at June 30, 2023.

Land in the amount of \$1,911,160 is not being depreciated. Depreciation expense of \$655,627 was not allocated to governmental functions. It appears unallocated on the Statement of Activities.

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, 2023, 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, 2023, 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, 2023, fund balance committed for tuition stabilization funds was \$299,805.

NOTE D – SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA) AND LEASED FACILITIES AND EQUIPMENT

The Consortium has operating lease agreements to lease classroom space, vehicles and equipment. All of its leases qualifying as long-term leases are recorded in accordance with GASB Statement No. 87.

During fiscal 2015, the Consortium entered into a building lease for program use at 126 Sohler Road in Beverly, Massachusetts, commencing July 1, 2015 through June 30, 2025, with options to June 30, 2035. During fiscal 2022, the Consortium exercised its lease option to renew to the end of fiscal 2035. Annual lease payments for the first year of the lease total \$680,000 and increase 2.5% each subsequent year. The Sohler Road lease represents the majority of the right-of-use lease asset and liability. Because the lease did not state an interest rate, the Consortium utilized an interest rate to calculate its asset value of 3.25% on the original lease and 6.00% on the modification. These rates represent the Consortium's incremental borrowing rates at the time the lease and extension were entered into, respectively. All other classroom, equipment and vehicle leases were valued using the 6.00%-7.00% incremental borrowing rates of the Consortium at the time each lease was entered into. Two of the Consortium's SSU Classroom leases renewed for an additional two-year period and the Consortium entered into new equipment leases during fiscal 2023. These activities resulted in additional right-of-use assets and related liabilities of \$41,850 and \$109,200, respectively, recorded in fiscal 2023. During fiscal 2023, the Consortium also bought out and paid of remaining vehicle leases.

Lease agreements, including modifications, are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Asset/Liability	Accum. Amort. 6/30/2023	Net Asset 6/30/2023	Liability Balance 6/30/2023
126 Sohler Road	7/1/2015	20 years	\$788,460 (FY22)	6.00%	\$8,406,120	\$840,612	\$7,565,508	\$7,992,517
SSU Classrooms	7/1/2020	5 years	550-2,775/month	6.00%	368,150	322,638	45,513	47,211
Copiers & Equipment	various	5 years	218-2,780/month	6.00%	196,420	71,482	124,938	120,410
Total Lease Agreements					\$8,970,690	\$1,234,731	\$7,735,959	\$8,160,138

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

**NOTE D – SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA)
AND LEASED FACILITIES AND EQUIPMENT - *continued***

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year Ending 30-Jun	Principal	Interest	Total
2024	\$ 493,124	\$ 477,208	\$ 970,332
2025	434,222	450,062	884,284
2026	448,717	421,683	870,400
2027	498,761	393,399	892,160
2028	552,592	362,008	914,600
Thereafter	5,732,722	1,341,998	7,074,720
	<u>\$8,160,138</u>	<u>\$3,446,358</u>	<u>\$11,606,496</u>

For the year ended June 30, 2023, total amortization expense of leased assets was \$776,165 and total interest expense on lease liabilities was \$498,583. Total actual lease payments totaled \$970,038 during fiscal 2023.

The Consortium has one long-term subscription-based information technology agreement qualifying as long-term and has recorded the agreement in accordance with GASB Statement No. 96.

During fiscal 2023, the Consortium entered into an agreement for telecommunications commencing July 1, 2022 through June 30, 2027. Monthly payments under the agreement are \$1,266 per month. Because the agreement did not state an interest rate, the Consortium utilized an interest rate to calculate its asset value of 7%. This rate represents the Consortium's incremental borrowing rates at the time the lease and extension were entered into, respectively.

SBITAs, including modifications, are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total SBITA Asset/Liability	Accum. Amort. 6/30/2023	Net Asset 6/30/2023	Liability Balance 6/30/2023
Presidio/Zoom	7/1/2022	5 years	\$1,266/month	7.00%	\$63,935	\$12,787	\$51,148	\$52,868
Total SBITAs					<u>\$63,935</u>	<u>\$12,787</u>	<u>\$51,148</u>	<u>\$52,868</u>

Annual requirements to amortize long-term SBITA obligations and related interest are as follows:

Year Ending 30-Jun	Principal	Interest	Total
2024	\$ 11,867	\$ 3,325	\$ 15,192
2025	12,725	2,467	15,192
2026	13,645	1,547	15,192
2027	14,630	562	15,192
2028	-	-	-
Thereafter	-	-	-
	<u>\$52,868</u>	<u>\$7,900</u>	<u>\$60,768</u>

For the year ended June 30, 2023, total amortization expense of SBITA assets was \$12,787 and total interest expense on SBITA liabilities was \$4,213. Total actual SBITA payments totaled \$15,192 during fiscal 2023.

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

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, 2023, the remaining principal balance of the bonds was \$3,694,298.

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, 2023, the remaining principal balance of the note was \$1,513,498.

The following summarizes long-term debt activity of the Consortium for the year ended June 30, 2023:

June 30, 2022 balance	\$5,643,459
Additions, fiscal 2023	—
Reductions (repayments), fiscal 2023	<u>(435,663)</u>
June 30, 2023 balance	<u>\$5,207,796</u>

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, 2023 was \$3,877 and is reported as interest expense in the statement of activities. As of June 30, 2023, a total of \$47,427 bond fees had been amortized and expensed. Net bond fees are presented as a reduction of bonds payable on the Statement of Net Position.

The Consortium has evaluated its debt covenants and has determined that it is in compliance with the covenants in fiscal 2023.

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

	<u>Principal</u>	<u>Interest</u>
Year Ending June 30:		
2024	\$ 451,598	\$ 215,007
2025	469,236	197,369
2026	487,175	179,430
2027	505,732	160,873
2028	1,812,906	147,883
2029-2033	1,481,149	79,048
Thereafter	<u>-</u>	<u>-</u>
	<u>\$5,207,796</u>	<u>\$ 979,610</u>

During the year ended June 30, 2023, the Consortium entered into a line of credit agreement with a local bank with a maximum borrowing capacity of \$1,000,000. As of June 30, 2023, the Consortium had no outstanding balance on the line.

Northshore Education Consortium
Notes to the Financial Statements
June 30, 2023

NOTE F – ACCOUNTS RECEIVABLE

As of June 30, 2023, accounts receivable consists of the following:

Tuition and services	\$ 1,270,004
Other	<u>135,879</u>
	1,405,883
Allowance for doubtful accounts	<u>(6,867)</u>
	<u>\$1,399,016</u>

During fiscal 2023, the Consortium charged off \$30,311 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.

Northshore Education Consortium
Notes to the Financial Statements
June 30, 2023

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

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.

Contributions:

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

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

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 6.1% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees’ benefits (i.e., the present value of the benefits earned by those 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 2023, the Consortium’s contributions on behalf of employees totaled \$385,613.

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975.....	5% of regular compensation
1975 - 1983.....	7% of regular compensation
1984 to 6/30/1996.....	8% of regular compensation
7/1/1996 to present.....	9% of regular compensation
7/1/2001 to present.....	11% of regular compensation (for teachers hired after 7/1/01 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, 2022 and was \$12,479,628 and \$35,392,045 under MSERS and MTRS

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

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

respectively. In fiscal 2023, the Consortium recognized revenue and related expense of \$980,932 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2023, the Consortium recognized revenue and related expense of \$2,911,341 (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 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, 2023 Measurement Date, total Consortium premiums plus implicit costs for the retiree medical program were \$278,235. The Consortium also made a contribution to an OPEB Trust of \$0 for a total contribution during the period of \$278,235 to be reported on the financial statement for the fiscal year ending June 30, 2023.

Investment Policy

During fiscal 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, 2023 and the amount actually contributed to the plan:

Northshore Education Consortium
Notes to the Financial Statements
June 30, 2023

NOTE H – RETIREMENT HEALTH BENEFITS – *continued*

Actuarially Determined Contribution - Deficiency / (Excess)		<u>As of June 30, 2023</u>
I.	Service Cost	\$1,185,147
II.	30-year level dollar amortization of NOL	618,024
III.	Actuarial Determined Contribution [I. + II.]	1,803,171
IV.	Contributions in relation to the actuarially determined contribution	(278,235)
V.	Contribution deficiency / (excess) [III. + IV.]	<u>\$1,524,936</u>
Covered employee payroll		\$14,352,966
Contribution as a % of covered employee payroll		1.94%
Discount Rate		4.13%
Money Weighted Rate of Return		N/A

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
6/30/2024 (est.)	\$ -	\$17,346,984	\$17,346,984	0.0%	\$14,783,555	117.34%
6/30/2023	\$ -	\$15,898,325	\$15,898,325	0.0%	\$14,352,966	110.77%
6/30/2022	\$ -	\$19,091,685	\$19,091,685	0.0%	\$15,895,073	120.11%
6/30/2021	\$ -	\$24,381,297	\$24,381,297	0.0%	\$15,432,110	157.99%
6/30/2020	\$ -	\$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

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

NOTE H – RETIREMENT HEALTH BENEFITS – *continued*

OPEB Liability, OPEB Expense and ADC

	Fiscal Year Ended June 30, 2023		
	Non-Certified Employees and Retirees	Certified Employees and Retirees	Total
I. Total OPEB Liability	\$9,691,285	\$6,207,040	\$15,898,325
II. Fiduciary Net Position as of June 30, 2023	-	-	-
III. Net OPEB Liability (Asset) [I.-II.]	9,691,285	6,207,040	15,898,325
IV. Service Cost	832,207	352,940	1,185,147
V. Interest on Net OPEB Liability (Asset) and Service Cost	505,889	317,801	823,690
VI. Projected Earnings on OPEB Plan Investments	-	-	-
VII. Net Recognition of Deferred (Inflows)/Outflows	(962,739)	(616,611)	(1,579,350)
VIII. Expense Related to Change in Benefit Terms	-	-	-
IX. Financial Statement Expense [IV.+V.+VI.+VII.+VIII.]	375,357	54,130	429,487
X. Employer Share of Costs	(117,713)	(160,522)	(278,235)
XI. Employer (Payments) Withdrawals to/from OPEB Trust	-	-	-
XII. Total Employer Contribution [X.+XI.]	<u>(117,713)</u>	<u>(160,522)</u>	<u>(278,235)</u>
XIII. Net OPEB Expense [IX.+XII.]	\$257,644	\$(106,392)	\$ 151,252

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, 2023 Measurement Date would increase to \$19,922,941 and Net OPEB Liability would increase to \$19,922,941. 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 \$12,874,447 and the Net OPEB Liability would decrease to \$12,874,447.

Effect of 1% Change in Discount Rates

As of the June 30, 2023 Measurement Date, if the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$13,208,379 and the Net OPEB Liability would decrease to \$13,208,379. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$19,373,872 and the Net OPEB Liability would increase to \$19,373,872.

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:	4.13% per annum
General Inflation Assumption:	2.50% per annum
Annual Compensation Increases:	3.00% per annum
Actuarial Value of Assets:	Market Value

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

NOTE H – RETIREMENT HEALTH BENEFITS – *continued*

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. The Consortium has established a trust effective in fiscal 2022 but had not funded the trust as of June 30, 2023.

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, 2022	\$19,091,685	\$ -	\$19,091,685
II. Prior Period Adjustment for Change in Measurement Date			
III. Prior Period Adjustment for Retirees not Previously Reflected	-	-	-
IV. Balances for June 30, 2022 with Adjustment [I.+II.+III.]	19,091,685	-	19,091,685
Changes for the year:			
V. Service Cost	1,185,147	-	1,185,147
VI. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	823,690	-	823,690
VII. Changes in Benefit Terms*	-	-	-
VIII. Changes in assumptions**	742,364	-	742,364
IX. Differences between actual and expected experience**	(5,666,326)	-	(5,666,326)
X. Net Investment Income	-	-	-
XI. Employer Contributions (Withdrawals) to/from Trust	-	278,235	-
XII. Benefit payments withdrawn from Trust	-	(278,235)	-
XIII. Benefit payments excluding Implicit Cost	(234,174)	-	(234,174)
XIV. Implicit Cost Amount	(44,061)	-	(44,061)
XV. Total Benefit payments including Implicit Cost [XIII.+XIV.]	(278,235)	-	(278,235)
XVI. Administrative and Other Charges	-	-	-
XVII. Net Changes [V.+VI.+VII.+VIII.+IX.+X.+XI.+XII.+XV.+XVI.]	\$(3,193,360)	\$ -	\$(3,193,360)
XVI. Balances at June 30, 2023 [IV.+XVII.]	\$15,898,325	\$ -	\$15,898,325

* 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.

Northshore Education Consortium
Notes to the Financial Statements
June 30, 2023

NOTE H – RETIREMENT HEALTH BENEFITS – *continued*

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	2023	2024	2025	2026	2027	2028
2017	-	7.00	-	-	-	-	-	-	-
2018	-	7.00	-	-	-	-	-	-	-
2019	(2,575,460)	6.93	(717,265)	(371,639)	(371,639)	(371,626)	-	-	-
2020	-	6.93	-	-	-	-	-	-	-
2021	(2,552,524)	7.00	(1,458,586)	(364,646)	(364,646)	(364,646)	(364,646)	(364,648)	-
2022	-	7.00	-	-	-	-	-	-	-
2023	(5,666,326)	7.00	<u>(4,856,851)</u>	<u>(809,475)</u>	<u>(809,475)</u>	<u>(809,475)</u>	<u>(809,475)</u>	<u>(809,475)</u>	<u>(809,475)</u>
Total Remaining Balance			(7,032,702)						
Net increase (decrease) in OPEB Expense				(1,545,760)	(1,545,760)	(1,519,747)	(1,174,121)	(1,174,123)	(809,475)

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	2023	2024	2025	2026	2027	2028
2017	-	7.00	-	-	-	-	-	-	-
2018	-	7.00	-	-	-	-	-	-	-
2019	(426,934)	6.93	(118,904)	(61,606)	(61,606)	(57,298)	-	-	-
2020	-	6.93	-	-	-	-	-	-	-
2021	7,005,998	7.00	4,003,427	1,000,857	1,000,857	1,000,857	1,000,857	1,000,856	1,000,856
2022	(7,552,253)	7.00	(5,394,467)	(1,078,893)	(1,078,893)	(1,078,893)	(1,078,893)	(1,078,893)	(1,078,895)
2023	742,364	7.00	<u>636,312</u>	<u>106,052</u>	<u>106,052</u>	<u>106,052</u>	<u>106,052</u>	<u>106,052</u>	<u>106,052</u>
Total Remaining Balance			(873,632)						
Net increase (decrease) in OPEB Expense				(33,590)	(33,590)	(29,282)	28,016	28,015	(972,843)

Because the Consortium has not funded a trust to offset OPEB liability, there are no deferred inflows or outflows arising from the recognition of differences between projected and actual earnings on OPEB Plan Investments.

NOTE I – FRIENDS OF NORTSHORE 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 2023, the Consortium recorded grant income from the Friends in the approximate amount of \$305,000. At June 30, 2023, balances were due from the Friends in the amount of \$135,879.

NOTE J – COMMONWEALTH OF MASSACHUSETTS SURPLUS REVENUE RETENTION (UNAUDITED)

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, 2023.

NOTE K – RESTRICTED FUNDS (NONMAJOR GOVERNMENTAL FUNDS)

As of June 30, 2023, restricted funds of \$28,146 were released due to determination that the funds had been utilized for their intended purposes. As of June 30, 2023 the Consortium had no restricted funds remaining for general operations.

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

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.

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 2023 were as follows:

Francine Rosenberg, Executive Director - \$180,405, 260-day contract, 235 working, 25 vacation

Glenn Bergevin, Chief Financial Officer - \$148,405, 260-day contract, 235 working, 25 vacation

Michelle Lipinski, Director of Northshore Recovery High School - \$150,822, 260-day contract, 235 working, 25 vacation

Martha Krol, Director of Kevin O'Grady School - \$125,000, 260-day contract, 235 working, 25 vacation

Ellen Heald, Director of Embark/SOAR - \$120,000, 260-day contract, 235 working, 25 vacation

Tracy Farraher, Director of Northshore Academy - \$120,000, 260-day contract, 235 working, 25 vacation

Lynsey Page, Director of TVA/STEP - \$120,000, 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.

Directors of Schools/Programs: Program direction and leadership of applicable program.

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 \$1,727,470 for the year ended June 30, 2023. 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 \$993,743.

Accounts held by the consortium that may be spent at the discretion of another person or entity

As of June 30, 2023, 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.

Northshore Education Consortium

Notes to the Financial Statements

June 30, 2023

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

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.

Annual determination and disclosure of cumulative surplus

Cumulative Surplus Calculation – FY23			Page(s) in financial statements
(A) Surplus as of June 30, 2022	\$ 4,570,953	(A)	p. 12
<i>(Breakdown of use of 2022 surplus)</i>			
B(1) used to support the FY23 budget	\$ -		
B(2) issued as credits to member districts	\$ -		
B(3) issued as a check(s) to member district(s)	\$ -		
B(4) deposited to a restricted account(s)	\$ (400,000)		
(B) Board voted uses of surplus funds during FY23	<i>(total from B1:B4)</i> \$ (400,000)	(B)	p. 12
(C) Unexpended FY23 General Funds	\$ 134,604	(C)	p. 12
(D) Cumulative Surplus as of June 30, 2023	(A) - (B) + (C) = (D) \$ 4,305,557	(D)	p. 12
(E) FY23 Total General Fund Expenditures*	\$ 28,184,861	(E)	p. 12
(F) Cumulative Surplus Percentage	(D) ÷ (E) 15.28%	(F)	

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

(G) Cumulative surplus as of June 30, 2023	\$ 4,305,557	
	25% limit (allowed)	\$ 7,046,215
(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	\$ -	

FY23 Cumulative Surplus Percentage after Reductions 15.28%

* Reconciliation of General Fund Expenditures:

Total General Fund Expenditures per. p.12	\$31,892,119
Less: Lease right-of use asset per p.12	(214,985)
Less: Intergovernmental Expenses per. p.12	(3,892,273)
Add: Transfer to capital reserve fund per p. 12	400,000
	\$28,184,861

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Tuition and service revenues	\$ 26,298,140	\$ 26,633,075	\$ 26,571,610	\$ (61,465)
Member assessments	200,000	200,000	200,000	-
Grants and contributions	554,000	766,000	1,106,744	340,744
Interest	3,000	9,303	41,111	31,808
Intergovernmental revenue	-	-	3,892,273	3,892,273
Total Revenues	<u>27,055,140</u>	<u>27,608,378</u>	<u>31,811,738</u>	<u>4,203,360</u>
Expenditures:				
Payroll	19,116,159	19,472,969	19,360,320	112,649
Fringe benefits and payroll taxes	3,200,679	3,288,740	3,152,936	135,804
Non-salary expense	728,450	888,761	1,097,683	(208,922)
Occupancy/Fixed Costs	2,644,987	2,671,919	2,446,452	225,467
Administration	1,189,752	1,222,484	1,727,470	(504,986)
Intergovernmental expense	-	-	3,892,273	(3,892,273)
Total Expenditures	<u>26,880,027</u>	<u>27,544,873</u>	<u>31,677,134</u>	<u>(4,132,261)</u>
Excess or revenues over expenditures	<u>\$ 175,113</u>	<u>\$ 63,505</u>	<u>\$ 134,604</u>	<u>\$ 71,099</u>
Other Budget Items:				
Gain on disposal of vehicle	\$ -	\$ -	\$ -	\$ -
Capital budget items	-	(400,000)	(400,000)	-
	<u>\$ -</u>	<u>\$ (400,000)</u>	<u>\$ (400,000)</u>	<u>\$ -</u>

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 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, 2023 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)							
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
I. Service Cost	1,185,147	1,918,439	1,390,981	1,298,493	1,196,012	1,479,535	1,270,857
II. 30 year level dollar amortization of NOL	618,024	738,266	729,534	880,839	808,271	817,483	921,308
III. Actuarially Determined Contribution [I.+II.]	1,803,171	2,656,705	2,120,515	2,179,332	2,004,283	2,297,018	2,192,165
IV. Contributions in relation to the actuarially determined contribution	(278,235)	(244,803)	(327,807)	(282,934)	(234,238)	(181,076)	(112,962)
V. Contribution deficiency/(excess) [III.+IV.]	1,524,936	2,411,902	1,792,708	1,896,398	1,770,045	2,115,942	2,079,203
Covered employee payroll	14,352,966	15,895,073	15,432,110	14,869,862	14,436,759	13,086,651	13,086,651
Contributions as a % of covered employee payroll	1.94%	1.54%	2.12%	1.90%	1.62%	1.38%	0.86%
Discount Rate	4.13%	4.09%	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	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, 2023 Measurement Date

Schedule of Changes in the Consortium's Net OPEB Liability and Related Ratios							
Valuation Date	July 1, 2022	July 1, 2020	July 1, 2020	July 1, 2018	July 1, 2018	July 1, 2016	July 1, 2016
For the Reporting Period & Fiscal Year ending o	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability	15,898,325	19,091,685	24,381,297	18,326,884	16,817,013	18,324,031	16,021,702
I. Service Cost	1,185,147	1,918,439	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	823,690	589,005	537,765	494,312	533,602	565,871	506,107
III. Changes in Benefit terms	-	-	-	-	-	-	-
IV. Difference between Expected & Actual Plan Experience	(5,666,326)	-	(2,552,524)	-	(2,575,460)	-	-
V. Changes of Assumption	742,364	(7,552,253)	7,005,998	-	(426,934)	-	-
VI. Benefit Payments Excluding Implicit Cost	(234,174)	(173,980)	(141,521)	(202,929)	(145,822)	(142,611)	(82,309)
VII. Implicit Cost Amount	(44,061)	(70,823)	(186,286)	(80,005)	(88,416)	(38,465)	(30,653)
VIII. Total Benefit payments including Implicit Cost [VI.+VII.]	(278,235)	(244,803)	(327,807)	(282,934)	(234,238)	(181,076)	(112,962)
IX. Net Change in OPEB liability [I.+II.+III.+IV.+V.+VIII.]	(3,193,360)	(5,289,612)	6,054,413	1,509,871	(1,507,018)	1,864,330	1,664,002
X. Total OPEB liability - beginning of period	19,091,685	24,381,297	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 [IX.+X.+XI.]	15,898,325	19,091,685	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	278,235	244,803	327,807	282,934	234,238	181,076	112,962
XV. Benefit payments from trust, including refunds of member contributions	(278,235)	(244,803)	(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.]	15,898,325	19,091,685	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%	0.00%	0.00%
XXIII. Covered employee payroll	14,352,966	15,895,073	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]	110.77%	120.11%	157.99%	123.25%	116.49%	140.02%	122.43%
Single Discount Rate to calculate Plan Liabilities	4.13%	4.09%	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.

See independent auditor's report

Northshore Education Consortium
OPEB Plan - Required Supplementary Information
As of the June 30, 2023 Measurement Date

Notes to Required Supplementary Information:

Valuation Date: Actuarially Determined Contribution was calculated as of July 1, 2022.

Actuarial Cost Method: Individual Entry Age Normal

Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2023.

Actuarial Assumptions:

Investment Rate of Return: N/A

Municipal Bond Rate: 4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)

Single Equivalent Discount Rate: 4.13%, net of OPEB plan investment expense, including inflation.

Inflation: 2.50% as of June 30, 2023 and for future periods

Salary Increases: 3.00% annually as of June 30, 2023 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, 2023 Measurement Date

Notes to Required Supplementary Information (Continued):

Plan Membership

Plan Membership: At July 1, 2022, the OPEB plan membership consisted for the following

Inactive employees or beneficiaries currently receiving benefits:	35
Active Employees:	<u>230</u>
Total:	265

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, 2022 to June 30, 2023

* Discount rate is 4.13% previously 4.09%

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, 2023 Measurement Date. For the year ending on the June 30, 2023 Measurement Date total Consortium premiums plus implicit costs for the retiree medical program were \$278,235. \$44,061 of the \$278,235 represents implicit costs.

Northshore Education Consortium
Schedule of the Consortium's Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2023

		<u>MTRS</u>	<u>MSERS</u>
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%
	FY2021	0.14084%	0.08946%
	FY2022	0.13671%	0.09720%
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
	FY2021	\$ 31,980,350	\$ 9,336,183
	FY2022	\$ 35,392,045	\$ 12,479,628
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
	FY2021	\$ 10,795,941	\$ 5,444,458
	FY2022	\$ 11,275,175	\$ 5,864,471
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%
	FY2021	296.23%	171.48%
	FY2022	313.89%	212.80%
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%
	FY2021	62.03%	77.54%
	FY2022	57.75%	71.05%

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, 2022.

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.

See independent auditor's report.

Northshore Education Consortium
Schedule of Pension Contributions
For the Year Ended June 30, 2023

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<u>MTRS</u>									
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	\$ 10,795,941	\$ 11,275,175
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

<u>MSERS</u>									
Contractually required contribution	\$ 229,190	\$ 223,347	\$ 180,644	\$ 259,066	\$ 297,829	\$ 340,598	\$ 310,464	\$ 321,221	\$ 357,457
Contributions in relation to the contractually required contribution	\$ 229,190	\$ 223,347	\$ 180,644	\$ 259,066	\$ 297,829	\$ 340,598	\$ 310,464	\$ 321,221	\$ 357,457
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consortium's covered-employee pay	\$ 4,092,673	\$ 3,992,230	\$ 3,225,780	\$ 4,626,178	\$ 5,011,788	\$ 5,594,066	\$ 5,399,790	\$ 5,444,458	\$ 5,864,471
Contributions as a percentage of covered-employee payroll	5.60%	5.59%	5.60%	5.60%	5.94%	6.09%	5.75%	5.90%	6.10%

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, 2022.

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.

See independent auditor's report.



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, 2023, 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 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.



Certified Public Accountants

Newburyport, Massachusetts

October 25, 2023



**NORTHSHORE
EDUCATION
CONSORTIUM**

Business Office

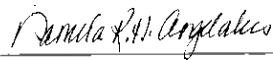
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Larry Fleming
Director of Finance and Operations

ACCEPTANCE OF THE BOARD OF DIRECTORS

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, 2023.

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, 2023.



Board Chair

October 25, 2023

Date