



## **Annual Independent Audit Guidelines For Education Collaboratives**

These audit guidelines provide information on the financial reporting and audit requirements for Commonwealth of Massachusetts approved education collaboratives

Fiscal Year 2025

This document was prepared by the Massachusetts Department of Elementary and Secondary Education  
Pedro Martinez, Commissioner

Board of Elementary and Secondary Education Members

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Mr. Matt Hills, Vice-Chair, Newton  
Ms. Isabella Chamberlain, Student Member, Hudson  
Dr. Ericka Fisher, Worcester  
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Pedro Martinez, Commissioner  
Secretary to the Board

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Massachusetts Department of Elementary and Secondary Education  
135 Santilli Highway, Everett, MA 02149  
Phone 781-338-3000 TTY: N.E.T. Relay 800-439-2370  
[www.doe.mass.edu](http://www.doe.mass.edu)



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## Introduction and Background

[Massachusetts General Law c. 40, § 4E<sup>1</sup>](#) and [Education Collaborative Regulations 603 CMR 50.08\(2\)<sup>2</sup>](#), require each education collaborative to annually ensure an independent audit is conducted of its accounts, consistent with generally accepted governmental auditing standards and consistent with guidelines issued by the Department of Elementary and Secondary Education (Department). These Annual Independent Audit Guidelines for Education Collaboratives (guidelines) are provided to assist collaboratives in fulfilling the audit requirement and should be shared with your independent auditors to ensure the submission of a complete independent audit report.

The guidelines that follow outline the financial statements to be audited, specific additional disclosures, required votes of acceptance (Appendix A) of the annual independent audit report by the collaborative board of directors (board), instructions for submission to the Department and should be shared with independent auditors to ensure the submission of a complete independent audit report.

The collaborative must annually prepare financial statements that meet the requirements of 603 CMR 50.07(11). The collaborative's accounts, financial statements, accompanying notes, and supplemental schedules must be audited on an annual basis in accordance with the requirements cited throughout this document. In addition to the audited financial statements, accompanying notes, management letters and/or memos to the board, the submission must also provide the following supplementary disclosures for the fiscal year ending June 30, 2025 (FY25):

**The names, duties, and total compensation of the five most highly compensated employees** - Include the name, a general statement of duties, and total compensation for each of the five highest compensated employees.

**Transactions between the collaborative and any related for-profit or non-profit organization** - Report on the amount and nature of each transaction or indicate that the collaborative had no transactions with a related for-profit or non-profit organization, as defined in M.G.L. c. 40, § 4E.

**Amounts expended on services for individuals aged 22 years and older** - Indicate the amounts expended or indicate that the collaborative did not expend funds on services for individuals aged 22 years and older.

**Amounts expended on administration and overhead.** - The amounts must include both administration and overhead. Both categories of expenditures must be labeled to clearly indicate the category of cost addressed.

**Accounts held by the collaborative that may be spent at the discretion of another person/entity** - Report on the amount and the purpose of each account, as well as the

legal authority for holding the account, or indicate that the collaborative held no such accounts. Accounts or funds held by the collaborative on behalf of a school committee as prepayment for tuition or services, as permitted by M.G.L. c. 40, § 4E(h), must be identifiable in the financial statements and in the audit report, but should **not** be reported in this category.

**Transactions or contracts related to purchase, sale, rental or lease of real property** - Include a description of each transaction or contract related to the purchase, sale, rental or lease of real property, or indicate that no such transactions or contracts existed. This component must list rental and lease agreements between the collaborative and school districts, charter school boards, and/or municipalities. Note that the description of each transaction or contract must indicate whether goods or services were exchanged and/or payments were made toward the sale, rental or lease of real property.

**Annual Determination and Disclosure of Cumulative Surplus** - In accordance with 603 CMR 50.07(9), Limitation on Surplus Funds and Department guidelines, at the close of the fiscal year, unexpended general funds may be carried forward and used in subsequent budget cycles. These unexpended general funds are determined to be the current surplus. Cumulative surplus is derived by adding prior year surplus funds to the current year surplus funds. The collaborative board of directors shall annually **approve by majority vote**, the dollar amount designated as cumulative surplus.

The board of directors **shall vote annually** to retain the cumulative surplus funds for the collaborative's use or return all, or some portion, of the funds to the member districts. The determination of surplus funds (worksheet provided in Appendix B) shall not include funds deposited in a capital reserve as provided for in 603 CMR 50.07(10), funds deposited in trust in accordance with M.G.L. c. 32B, § 20, or funds prepaid to the collaborative for tuition or services in accordance with M.G.L. c. 40, § 4E. In no event shall such cumulative surplus funds exceed 25 percent of the audited fiscal year's general fund expenditures.

**Findings and Questioned Costs** - The Schedule of Findings and Questioned Costs (**Appendix C**) must identify significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to financial statements for which Government Auditing Standards requires reporting.

**Prior Audit Findings** -The Status Report of Prior Audit Findings (Appendix D) reports the auditor's assessment of the status of all findings included within the prior year's Schedule of Findings and Questioned Costs.

**Board of Directors Certification of Acceptance** - At the time of submission each Collaborative must include either the approved board meeting minutes or a certification of acceptance (forms provided in Appendix A), certifying that the board

of directors has voted to accept the information included in the Annual Independent Audit.

**Management Letter** - Issues identified that are not material but more than inconsequential must be communicated in a management letter.

### **Cumulative Surplus Calculation**

Massachusetts General Law c. 40, § 4E permits two or more school committees and or charter school boards of trustees to enter into a written collaborative agreement (agreement) to provide shared programs and services, as long as the primary purpose of these shared programs and services is to complement the educational programs of member school committees and charter school boards in a cost-effective manner. Each agreement outlines board determined policies and procedures and includes the declaration of a limit to the total amount of surplus funds that can be carried forward in subsequent budget cycles. The Education Collaborative regulations, initially developed and adopted by the Massachusetts Board of Elementary and Secondary Education in 2013 and revised in 2020, reflect statutory changes and clarify uniform rules and procedures governing the establishment and operation of educational collaboratives.

Additionally, the regulations outline the 25 percent limitation on the amount of surplus funds an education collaborative may carry forward to be used in subsequent budget cycles. Please use the Cumulative Surplus worksheet (Appendix B) to calculate the FY25 cumulative surplus.

### **Collaborative Board of Directors Acceptance**

The collaborative board must discuss and **vote** to accept the annual independent audit report **and** the annual determination of cumulative surplus at a meeting held in compliance with the Open Meeting Law<sup>3</sup>. Upon acceptance and no later than **January 1, 2026**, each collaborative board must file all required FY25 documents with the Department, the Office of the State Auditor, and the chair of each member school committee and charter school board.


**PLEASE NOTE THAT JANUARY 1<sup>ST</sup> IS A STATUTORY DEADLINE AND CANNOT BE WAIVED BY THE DEPARTMENT. IF A COLLABORATIVE WILL NOT MEET THE SUBMISSION DEADLINE, THE EXECUTIVE DIRECTOR MUST NOTIFY THE DEPARTMENT AND THE STATE AUDITOR IN WRITING.**

## Naming of Documents, Electronic Submission and Posting Requirements

Please be sure to use the following naming conventions when you submit the following documents, as applicable.

Document	File Format	Naming Convention	Notes
Annual Independent Audit Report	PDF	FY25 <b>CollabName</b> _AuditReport	An <b>acronym</b> may be substituted for the <b>CollabName</b> .
Vote of Acceptance by the Board of Directors	PDF	FY25 <b>CollabName</b> _Audit Vote	If changes are made prior to the board vote, approved meeting minutes reflecting the board discussion must be submitted.
Board Determination Vote (Acceptance/Reduction) of Cumulative Surplus (Appendix A)	PDF	FY25 <b>CollabName</b> _CSurplus Vote	
Cumulative Surplus Worksheet (Appendix B)	PDF	FY25 <b>CollabName</b> _Cumulative Surplus Worksheet	Do not modify existing fields.
Schedule of Findings and Questioned Costs (Appendix C)	PDF	FY25 <b>CollabName</b> _Findings	If applicable
Status of Prior Audit Findings (Appendix D)	PDF	FY25 <b>CollabName</b> _StatusPrior Findings	If applicable

**All** documents must be submitted to the Department in electronic format (PDF for reports, letters, and signature pages) via the Education Collaborative Drop Box in the Department's Security Portal. Please ensure that the report is saved as a PDF and not as an image file. Image files are often too large to upload to the Drop Box. All annual independent audit reports must be received between **October 1, 2025**, and **January 1, 2026**, using the directions below:

1. Navigate to the  [ebpage](#).
2. Enter your username and password.
3. Select **Application List** at the top of the page.
4. Select **Drop Box Central** from the center of the page.
5. Select **Education Collaboratives** from the Drop Box list then select **Next**.
6. Select **Browse** to find and select the FY25 document(s) on your computer.
7. Select the **Upload File** button to transmit your document(s).

If you are unable to access any of these fields, you may not have the necessary security clearance and should contact your collaborative's directory administrator in order to gain access to the portal.

Once your submission has been received, you will receive an email confirming receipt of the document(s), the date, and the time of submission. Please email any questions regarding this submission to the [educationcollaborativeteam@mass.gov](mailto:educationcollaborativeteam@mass.gov).

**APPENDIX A** Certification of Board Votes

**NAME OF COLLABORATIVE**

**Acceptance of Annual Independent Audit Report (Board Vote)  
For the Year Ended June 30, 2025**

We, the Board of Directors of the **[Insert name of Collaborative]**, voted to accept the representations of management and the expression of the opinions made by **[Insert name of Auditor]** as embodied in the financial statements, required supplementary schedules and independent auditor's reports for the year ended June 30, 2025.

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, 2025.

\_\_\_\_\_  
Board Chairperson

\_\_\_\_\_  
Date of Board Vote

**NAME OF COLLABORATIVE**

**Determination of Cumulative Surplus (Board Vote)  
For the Year Ended June 30, 2025**

We, the Board of Directors of the **[Insert name of Collaborative]**, have determined the FY25 cumulative surplus to be \$ \_\_\_\_\_ and have voted to accept/reduce said surplus as presented in the Cumulative Surplus worksheet (Appendix B) .

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, 2025.

\_\_\_\_\_  
Board Chairperson

\_\_\_\_\_  
Date of Board Vote

# APPENDIX B Cumulative Surplus Worksheet

## FY25 Cumulative Surplus Worksheet

To activate the worksheet double click inside the table below, or right-click, then choose "Open Worksheet Object." Enter the values and corresponding page numbers from the FY25 financial statements (FS) into the worksheet. Formulas have been embedded within certain fields, to assist with the calculation of the FY25 cumulative surplus and its corresponding percentage of the collaborative's reported FY25 general fund expenditures. When completed, and prior to uploading it to the Department's Security Portal, the worksheet should reflect both the collaborative board's determination of surplus (amount), and the assignment of any cumulative surplus, in excess of the 25 percent limitation. The FY25 Annual Independent Audit Report submission and all requested documents must be submitted to the Department **no later than January 1, 2026**.

**[Enter Collaborative Name]**

### Surplus Calculation

Fiscal Year 2025	Enter values below	Calculated Column	Page in FY25 FS
(A) <b>Surplus as of June 30, 2024</b>	[Enter value]		(A) p.
(B) <b>Board voted uses of surplus funds during FY23</b>		\$ -	(B) p.
<i>(Uses of FY24 surplus used during FY25)</i>			
B(1) used to support the FY25 budget	[Enter value]		p.
B(2) issued as credits to member districts	[Enter value]		p.
B(3) issued as a check(s) to member district(s)	[Enter value]		p.
B(4) deposited to a restricted account(s)	[Enter value]		p.
(C) <b>FY25 Total General Fund Expenditures</b>	[Enter value]		(C) p.
(D) <b>FY25 Unexpended General Funds</b>	[Enter value]		(D) p.
(E) Cumulative Surplus as of June 30, 2025	(A) - (B) + (C) = (D)	#VALUE!	
(F) Cumulative Surplus Percentage	(D) ÷ (E)	#VALUE!	
	Allowable Cumulative Surplus based upon Expenditures	#VALUE!	
<b>CUMULATIVE SURPLUS REDUCTION (if necessary)</b>			
<b>Allowable uses of surplus to reduce excess to or below the 25% limit</b>			
(E)	Cumulative surplus as of June 30, 2025 before Reductions	#VALUE!	
	Cumulative Surplus Percentage before Reductions	#VALUE!	
	25% limit (allowed)	#VALUE!	
(G) Cumulative Surplus <b>REDUCTIONS</b>			
(G)1 Credited to member districts for tuition, services, etc.	[Enter value]		
(G)2 Deposited to an established trust and/or reserve fund	[Enter value]		
(G)3 Returned (check) to school districts/towns	[Enter value]		
	Total Reductions	\$ -	
	Cumulative Surplus after Reductions	#VALUE!	
	FY25 Cumulative Surplus Percentage after Reductions	#VALUE!	

**APPENDIX C** Schedule of Findings and Questioned Costs

**NAME OF COLLABORATIVE**

**Schedule of Findings and Responses  
For the Year Ended June 30, 2025**

**Item 2025-01** - [Title of Finding]

Condition:

Criteria:

Cause:

Potential effect:

Response:

**Item 2025-02** - [Title of Finding]

Condition:

Criteria:

Cause:

Potential effect:

Response:

[Continue to list items consecutively, as necessary]

**APPENDIX D** Status Report of Prior Audit Findings

**NAME OF COLLABORATIVE**

**Status Report of Prior Audit Findings  
For the Year Ended June 30, 2025**

**Item 2024-01** [Status]

**Item 2024-02** [Status]

## APPENDIX E Endnotes

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<sup>1</sup> [Massachusetts General Law Chapter 40, Section 4E \(d\)](#): Each board of directors of an education collaborative shall annually prepare financial statements, including: (1) a statement of net assets; (2) a statement of revenues, expenditures and changes in net assets; and (3) such supplemental statements and schedules as may be required by regulation. Each board of directors of an education collaborative shall annually cause an independent audit to be made of its financial statements consistent with generally accepted governmental auditing standards and shall discuss and vote to accept the audit report at an open meeting of the board. Each board of directors shall file such audit report and any related management letters annually on or before January 1 for the previous fiscal year with the department and the state auditor and shall transmit a copy of such audit report and any related management letters to each member school committee and charter school board.

<sup>2</sup> [Education Collaborative Regulations 603 CMR 50.08\(2\)](#): Audit Report: An educational collaborative shall submit an annual independent audit report to the collaborative board of directors for discussion and approval. Upon approval by the collaborative board of directors and no later than January 1st of each year, the annual audit report for the preceding fiscal year shall be submitted to the chair of each member district, the Commissioner and the State Auditor. The collaborative shall make the audit report available on its website. The Department, in consultation with the State Auditor, may establish standards for financial reporting and for supplemental statements to accompany the audit report, as needed. The audit report shall be presented in accordance with generally accepted government auditing standards and additional guidelines as may be established by the Department. The audited financial statements, accompanying notes, and supplemental schedules shall also disclose:

- (a) transactions between the educational collaborative and any related for-profit or non-profit organization;
- (b) transactions or contracts related to the purchase, sale, rental, or lease of real property;
- (c) the names, duties, and total compensation of the five most highly compensated employees;
- (d) the amounts expended on administration and overhead;
- (e) any accounts held by the collaborative that may be spent at the discretion of another person or entity; and
- (f) the amounts expended on services for individuals with disabilities, age 22 and older.

<sup>3</sup> [Open Meeting Law, G.L. c. 30A, § 20](#): Meetings of a public body to be open to the public; notice of meeting; remote participation; recording and transmission of meeting; removal of persons for disruption of proceedings; office holders to certify receipt of open meeting law and educational materials  
Section 20. (a) Except as provided in section 21, all meetings of a public body shall be open to the public.