Valley Collaborative

Financial Statements

For the Year Ended June 30, 2022

Valley Collaborative
Contents
For the Year Ended June 30, 2022

FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Valley Collaborative
Billerica, Massachusetts

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Collaborative, a collaborative organized under the Laws of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Valley Collaborative'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 Valley Collaborative, as of June 30, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Valley Collaborative 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 2022, the Consortium fully implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 these 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 the Valley Collaborative'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 and *Government 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 and *Government 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 Valley Collaborative'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 Valley Collaborative'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, budgetary comparison information, Schedule of Funding Progress – Other Postemployment Healthcare Benefits and pension schedules on pages 3-7 and 32-38 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 November 17, 2022, on our consideration of Valley Collaborative'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 Valley Collaborative'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 Valley Collahorative's internal control over financial reporting and compliance.

Fritz DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts
Novemher 17, 2022

Valley Collaborative
Management's Discussion and Analysis
(unaudited)
June 30, 2022

Our discussion and analysis of Valley Collaborative's ("The Collaborative") financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2022 with comparative information from the fiscal years ended June 30, 2021 and 2020. 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 Collaborative's financial statements. The Collaborative'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 Collaborative 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 Collaborative's assets and liabilities with the difference between the two reported as net position. It is one way of measuring the Collaborative's financial health or position.

- The **Statement of Activities** presents information showing how the Collaborative'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 Collaborative'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 Collaborative.

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 Collaborative has only governmental and fiduciary funds.

- **Governmental funds –** The Collaborative'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 Collaborative'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.

- **Fiduciary fund** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Collaborative's own programs.

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 Collaborative's financial statements.

Required Supplementary Information:

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

Government-Wide Financial Highlights

Collaborative's Net Position:

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2022	2021	2020
Assets			
Current Assets	$ 8,445,166	$10,490,104	$ 8,806,465
Non-current assets, net**	11,157,458	7,678,271	8,335,554
Total Assets	19,602,624	18,168,375	17,142,019
Deferred Outflows Related to OPEB	2,010,393	1,920,344	1,914,061
Total Assets and Deferred Outflows of Resources	$21,613,017	$20,088,719	$19,056,080

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2022	2021	2020
Liabilities			
Current Liabilities	$ 2,043,673	$ 3,703,018	$ 2,280,119
Long Term Liabilities**	5,328,811	2,489,196	3,054,714
Total Liabilities	7,372,484	6,192,214	5,334,833
Deferred Inflows Related to OPEB	2,508,045	2,544,128	1,235,164
Net Position			
Unrestricted	$ 3,005,486	$ 2,153,213	$ 2,630,102
Restricted – grants and contributions	23,891	20,893	20,427
Restricted – renovation project/capital reserve	1,500,000	1,500,000	1,500,000
Invested in right-of-use assets, net of liabilities**	(32,684)	-	-
Invested in capital assets, net of related debt	7,235,795	7,678,271	8,335,554
Total Net Position	$11,732,488	$11,352,377	$12,486,083

During the fiscal year ended June 30, 2022, the Collaborative's overall net position increased by approximately $381,000. Total net assets increased by approximately $1,524,000 primarily as a result of implementing GASB Statement No. 87 during 2022 with a right-of-use lease asset of approximately $3,921,000 net of approximately of $1,641,000 of additional cash used to fund the OPEB trust account. The remaining difference was a decrease as a result of operations for the year. Total liabilities increased by approximately $1,180,000 which was primarily result of implementing GASB Statement No. 87. The lease liability totaled approximately $3,954,000. The remaining difference is a result of the utilization of approximately $1,995,000 in member credits and change in the OPEB liability of approximately $665,000. The Collaborative realized an increase in net position from operations, including depreciation on capital assets and other postemployment benefits expense, of approximately $2,022,000, and a transfer to the OPEB trust account of approximately $1,641,000.

During the fiscal year ended June 30, 2021, the Collaborative's overall net position decreased by approximately $1,134,000. The Collaborative realized an increase in net position from operations, including depreciation on capital assets and other postemployment benefits expense, of approximately $1,466,000, and returned credits to member districts of $2,600,000.

Valley Collaborative
Management's Discussion and Analysis
(unaudited)
June 30, 2022

SUMMARY OF ACTIVITIES

	2022	2021	2020
Revenues/Gains*	$21,050,749	$19,256,330	$20,776,911
Program Expenses/Losses*	17,879,061	15,035,772	16,010,430
Administrative Expenses/Losses*	1,941,085	2,017,101	1,842,248
Total Expense*	19,820,146	17,052,873	17,852,678
Change in net position, before increase in net retirement health benefit obligation and credits to member districts	1,230,603	2,203,457	2,924,233
Increase in net retirement health benefit obligation	(849,716)	(737,163)	(918,812)
Change in net position before credits to member districts	380,887	1,466,294	2,005,421
Credits to member districts	-	(2,600,000)	(1,400,000)
Change in Net Position**	$ 380,887	($1,133,706)	$ 605,421

* Excludes Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, credits to members, and other postemployment benefits funding and expense.

** During 2022, the Collaborative implemented GASB No. 87 and as a result, made adjustments effective July 1, 2021 for right-of-use leased assets and liabilities. The information above includes information reported under GASB Statement No. 87 in the 2022 information only and does not adjust for 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 $776.

Revenues

In the fiscal year ended June 30, 2022, revenues, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, increased by approximately $1,769,000 (10%). In the fiscal year ended June 30, 2021, revenues, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, decreased by approximately $1,521,000 (8%). The changes within fiscal years are due primarily to changes in student enrollment in the respective years. Changes in fiscal year 2022 enrollment are primarily a result of the recovery from the impacts of the COVID-19 pandemic.

Operating Expenses

In the fiscal year ended June 30, 2022, operating expenses, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, increased by approximately $2,709,000, or 16%, compared to the fiscal year ended June 30, 2021. As a result of the reduction of the COVID-19 pandemic mandates, there were increases in expenses as a result of an increase in enrollment. Personnel costs increased by approximately $2,606,000 in the fiscal year ended June 30, 2022 as a result for the increase in staffing needs and rehiring of previously laid-off employees. Materials, supplies and equipment costs decreased by approximately $137,000, travel expense increased by approximately $124,000, small business related expenses increased by $42,000, and field trip expense increased by approximately $68,000. Supplies decreased as a result of the need to be compliant with COVID-19 requirements in 2021 and the reduction of the mandates in 2022. Travel and field trips saw increases as a result of travel restrictions and various closures coming to an end. Small business expenses increase as a result of catering and students working in the field started getting back to pre-pandemic levels.

In the fiscal year ended June 30, 2021, operating expenses, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, decreased by approximately $800,000, or 5%, compared to the fiscal year ended June 30, 2020. As a result of the COVID-19 pandemic, there were decreases in expenses as a result of a decrease in enrollment. Personnel costs decreased by approximately $983,000 in the fiscal year ended June 30, 2021 as a result for a decrease in staffing needs. Materials, supplies and equipment costs increased by approximately $225,000, travel expense decreased by approximately $82,000 and field trip expense decreased by approximately $47,000. Supplies increased as a result of the need to be compliant with COVID-19 requirements. Travel and field trips saw decreases as a result of travel restrictions and various closure relating to the COVID-19 pandemic.

Governmental Funds Financial Highlights

The Collaborative reported a total general fund balance of $5,327,602, of which $340,892 was nonspendable and the remaining $4,986,710 was unassigned. The fund balance increased $61,409 over the prior fiscal year, primarily due to net operating surplus of $1,701,989 decreased by $1,640,580 transferred to the OPEB trust account. Accounts receivable increased by $2,417,283, primarily due to the timing of invoicing and payments from districts. Cash decreased by $4,666,432.

Due to strong management, since the year ended June 30, 2013, the Collaborative has returned more than $11,000,000 from its general fund in the form of cash and tuition credits to its member districts.

CAPITAL ASSETS AND OTHER OBLIGATIONS

During the fiscal year ended June 30, 2022, the Collaborative purchased and capitalized two vehicles, leasehold improvements and other equipment for use in its program with a total cost of $329,816. The Collaborative did not sell, traded in or dispose of any vehicles or equipment in fiscal year 2022. Due to the vehicle shortage as a result of the COVID-19 pandemic, there is a trade in credit of $43,576 that is currently included in prepaid expenses as it is being held by the dealership and will be applied against the purchase price of the new vehicles once received.

During the fiscal year ended June 30, 2021, the Collaborative purchased and capitalized two vehicles, leasehold improvements and other equipment for use in its program with a total cost of $140,631. The Collaborative also traded in several vehicles to purchase new vehicles and received a trade in credit of $116,500 for the value of the trade. Due to the vehicle shortage as a result of the COVID-19 pandemic, the trade in credit is currently included in prepaid expenses as it is being held by the dealership and will be applied against the purchase price of the new vehicles once received.

As of June 30, 2022, the balance in the capital reserve fund was $1,500,000, and fully funded. This fund is considered restricted until utilized for its intended purpose.

LEASED ASSETS AND LIABILTIES

During 2022, the Collaborative implemented GASB Statement No. 87 which requires right-of-use leased assets and related liabilities for all long-term leases. The Collaborative 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 $776. As of June 30, 2022, the Collaborative recognized right-of-use assets totaling $4,011,146, net of accumulated amortization of $89,483 and lease liabilities of $3,954,347 for all leases. See Note D in the notes to the financial statements for additional information on the Collaborative's leases.

BUDGETARY HIGHLIGHTS

The Collaborative's annual budget for the fiscal year ended June 30, 2022 was approved by its Board of Directors and then amended on December 2, 2021. For the fiscal year ended June 30, 2022, the Collaborative received operating revenues, excluding on-behalf payments by the Massachusetts Teachers' and State Employees' Retirement Systems, of approximately $21,004,000 compared to final budgeted revenues of approximately $20,226,000. The difference between actual revenues received and budgeted revenues is primarily due to higher than expected revenues from services the organization provides as well as state contracts. The Collaborative expended operating expenses, excluding on-behalf payments by the Massachusetts Teachers' and State Employees' Retirement Systems, of approximately $18,973,000 compared to final budgeted revenues of approximately $18,840,000. The difference between actual expenses incurred and budgeted expenses is primarily due to increase in staffing to address increased enrollment and a decrease in other expenses due to a reduction in spending resulting from the COVID-19 pandemic and required supplies needed to maintain operations.

The Collaborative's annual budget for the fiscal year ended June 30, 2021 was approved by its Board of Directors and then amended on January 28, 2021. For the fiscal year ended June 30, 2021, the Collaborative received operating revenues, excluding on-behalf payments by the Massachusetts Teachers' and State Employees' Retirement Systems, of approximately $19,135,000 compared to final budgeted revenues of approximately $18,162,000. The difference between actual revenues received and budgeted revenues is primarily due to higher than expected revenues from services the organization provides as well as state contracts. The Collaborative expended operating expenses, excluding on-behalf payments by the Massachusetts Teachers' and State Employees' Retirement Systems, of approximately $16,251,000 compared to final budgeted revenues of approximately $17,215,000. The difference between actual expenses incurred and budgeted expenses is primarily due to reductions in staffing to address decreased enrollment and a decrease in other expenses due to a reduction in spending resulting from the COVID-19 pandemic.

CONTACTING THE COLLABORATIVE

This financial report is designed to provide readers of the financial statement an overview of the Collaborative's financial activities. If you have questions in regard to this report, contact Chris A. Scott, Ph.D., 25 Linnell Circle, Billerica, MA 01821, or at 978-528-7800.

Valley Collaborative

Statement of Net Position

June 30, 2022

Assets	
Current Assets	
Cash and cash equivalents	$ 4,749,460
Accounts receivable, net	3,354,814
Prepaid expenses and other assets	340,892
Total Current Assets	8,445,166
Non-current Assets	
Right-of-use leased assets, net of accumulated amortization	3,921,663
Furniture, equipment, vehicles and leasehold improvements, net	7,235,795
Total Non-current Assets	11,157,458
Total Assets	19,602,624
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to OPEB	2,010,393
Total Assets and Deferred Outflows of Resources	**$ 21,613,017**
Liabilities, Deferred Inflows and Net Position	
Current Liabilities	
Accounts payable and accrued liabilities	$ 1,338,843
Lease liability, current portion	450,000
Deferred revenues	250,000
Credits due to member districts	4,830
Total Current Liabilities	2,043,673
Non-current Liabilities	
Lease liabilities, net of current portion	3,504,347
Net OPEB liability	1,824,464
Total Non-current Liabilities	5,328,811
Total Liabilities	7,372,484
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to OPEB	2,508,045
Net Position	
Net Position	
Unrestricted	3,005,486
Restricted - contributions and other	23,891
Restricted - capital reserve fund	1,500,000
Invested in right-of-use leased assets, net of related liabilities	(32,684)
Invested in capital assets, net of related debt	7,235,795
Total Net Position	11,732,488
Total Liabilities, Deferred Inflows and Net Position	**$ 21,613,017**

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

Valley Collaborative
Statement of Activities
For the year ended June 30, 2022

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Administration	$ 1,941,085	$ -	$ -	$ (1,941,085)
Education	16,620,332	16,952,896	3,937,014	4,269,578
Intergovernmental revenue and expense	1,958,764	-	1,958,764	-
Other postemployment benefits	849,716	-	-	(849,716)
Interest expense	160,359	-	-	(160,359)
Capital asset depreciation and amortization	772,292	-	-	(772,292)
Right-of-use asset amortization	326,078	-	-	(326,078)
Total Governmental Activities	$ 22,628,626	$ 16,952,896	$ 5,895,778	$ 220,048
General Revenue and Other:				
Interest				3,424
Gain on right-of-use asset modification				26,130
Other				131,285
Total General Revenue and Other				160,839
Change in Net Position				380,887
Net Position, Beginning of Year				
As previously reported				11,352,377
Cumulative effect of a change in accounting principle (see Note A)				(776)
As restated				11,351,601
Net Position, End of Year				$ 11,732,488

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

Valley Collaborative
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,225,569	$ 1,500,000	$ 23,891	$ 4,749,460
Accounts receivable, net	3,354,814	-	-	3,354,814
Prepaid expenses and other assets	340,892	-	-	340,892
Total Assets	$ 6,921,275	$ 1,500,000	$ 23,891	$ 8,445,166
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 1,338,843	$ -	$ -	$ 1,338,843
Deferred revenues	250,000	-	-	250,000
Credits due to member districts	4,830	-	-	4,830
Total Liabilities	1,593,673	-	-	1,593,673
Fund Balances:				
Nonspendable	340,892	-	-	340,892
Restricted	-	1,500,000	23,891	1,523,891
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	4,986,710	-	-	4,986,710
Total Fund Balances	5,327,602	1,500,000	23,891	6,851,493
Total Liabilities and Fund Balances	$ 6,921,275	$ 1,500,000	$ 23,891	$ 8,445,166

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

Valley Collaborative

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

June 30, 2022

Total fund balances, governmental funds	$ 6,851,493
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Deferred inflows relating to the other postemployment benefit obligation is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the government activities of the Statement of Net Position.	(2,508,045)
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.	3,921,663
Other postemployment benefit (OPEB) liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position.	(1,824,464)
Long-term lease liabilities related to the right-of-use leased assets is used in governmental activities and are not financial uses and therefore are not reported in the funds.	(3,954,347)
Deferred outflows relating to the other postemployment benefit obligation is not a current financial resource and therefore is not reported in this fund financial statement, but is reported in the government activities of the Statement of Net Position.	2,010,393
Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position	7,235,795
Net position of governmental activities	$ 11,732,488

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

Valley Collaborative

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2022

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Tuition and service revenues	$ 16,952,896	$ -	$ -	$ 16,952,896
Grants and contributions	3,916,806	-	20,208	3,937,014
Intergovernmental revenue	1,958,764	-	-	1,958,764
Interest	3,424	-	-	3,424
Other	131,285	-	-	131,285
Credits to member districts	-	-	-	-
Total Revenues	22,963,175	-	20,208	22,983,383
Expenditures:				
Administration	1,923,875	-	17,210	1,941,085
Program payroll	12,820,087	-	-	12,820,087
Program fringe benefits and payroll taxes	2,186,666	-	-	2,186,666
Professional and consulting fees	4,611	-	-	4,611
Transportation and travel	163,641	-	-	163,641
Maintenance and other occupancy	415,630	-	-	415,630
Telephone, communications and utilities	154,289	-	-	154,289
Materials, supplies and equipment	560,731	-	-	560,731
Small business expenses	174,580	-	-	174,580
Field trips	80,183	-	-	80,183
Training programs	20,887	-	-	20,887
Other	39,027	-	-	39,027
Intergovernmental expense	1,958,764	-	-	1,958,764
Capital outlay, net of debt incurred	329,816	-	-	329,816
Lease right-of-use asset	4,011,147	-	-	4,011,147
Lease Service:				
Lease interest	160,359	-	-	160,359
Lease financing principal	268,040	-	-	268,040
Total Expenditures	25,272,333	-	17,210	25,289,543
Excess (Deficit) of Revenues over Expenditures	(2,309,158)	-	2,998	(2,306,160)
Other Financing Sources:				
Lease financing	4,011,147	-	-	4,011,147
OPEB obligation funding	(1,640,580)	-	-	(1,640,580)
Net Change in Fund Balances	61,409	-	2,998	64,407
Fund Balances, Beginning of Year	5,266,193	1,500,000	20,893	6,787,086
Fund Balances, End of Year	$ 5,327,602	$ 1,500,000	$ 23,891	$ 6,851,493

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

Valley Collaborative

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2022

Net change in fund balances of total governmental funds	$ 64,407

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

Governmental funds report outlays for capital assets and right-to-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	329,816
Depreciation	(772,292)
Lease right-of-use asset	4,011,147
Lease financing	(4,011,147)
Amortization	(326,078)
Gain on right-of-use asset modification	26,130

Governmental funds report 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.

Lease financing principal	268,040

The change in accrual for other postemployment benefits reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.

Net change in other postemployment benefits (OPEB) accrual	790,864
Change in net position of governmental activities	$ 380,887

Valley Collaborative

Statement of Fiduciary Net Position

Retirees' Health Insurance Trust Fund

June 30, 2022

Assets

Assets	
Investments	$ 6,030,973
Total Assets	$ 6,030,973

Net Position

Net Position	
Net position held in trust for retirees' health insurance	$ 6,030,973
Total Net Position	$ 6,030,973

Valley Collaborative
Statement of Changes in Fiduciary Net Position
Retirees' Health Insurance Trust Fund
For the year ended June 30, 2022

Additions:	
Contributions	$ 1,640,580
Total Additions	1,640,580
Deductions:	
Investment loss	863,139
Investment expenses	17,947
Total Deductions	881,086
Change in Net Position	759,494
Net Position – Beginning of Year	5,271,479
Net Position – End of Year	$ 6,030,973

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Collaborative

Valley Collaborative (The "Collaborative") is an educational collaborative of the school districts of Billerica, Chelmsford, Dracut, Groton-Dunstable Regional, Nashoba Valley Technical, North Middlesex Regional, Tewksbury, Tyngsborough, and Westford. The Collaborative is a public entity under the jurisdiction of its member school committees, whose appointees comprise its board of directors. The Collaborative provides high quality academic, therapeutic and vocational services to individuals referred by local school districts and social service agencies.

Basis of Presentation

The Collaborative'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 Collaborative are discussed below.

The Collaborative's basic financial statements include both government-wide (reporting the Collaborative as a whole) and fund financial statements (reporting the Collaborative'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 Collaborative does not have any activities classified as business type activities.

Cumulative effect of change in accounting principle

The Collaborative has fully implemented GASB Statement No. 87, *Leases*. Statement No. 87 requires the present value of long-term leases to be recorded as an asset of the Organization and future lease payments to be recorded as a liability. The asset is required to be amortized ratably over the lease term and lease payments are allocated between interest expense and liability payments. Previously, operating lease payments were expensed as incurred with no corresponding asset or liability recorded. The significant impact to the Collaborative's financial statements is to the government-wide financials statements. The beginning net position on the government-wide financial statements as a result of the cumulative effect of this change in accounting principle decrease in the amount of $776 from the amount previously reported in the financial statements for the year ended June 30, 2021. There was no change in the opening balance in the governmental fund balance as a result of the cumulative effect of this change in accounting principle.

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 Collaborative's net position is reported in three parts—net investment in capital assets; restricted; and unrestricted. The Collaborative 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 Collaborative 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 Collaborative as an entity and the change in the Collaborative's net position resulting from the current year's activities.

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

Fund Financial Statements
The financial transactions of the Collaborative 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 Collaborative 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 Collaborative - the Collaborative 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 Collaborative:

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

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

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

Fiduciary Funds:
Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net position and changes in net position presented in fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (retirees) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide 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.

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

Cash and Cash Equivalents

The Collaborative considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Collaborative maintains its uncollateralized cash balances in two financial institutions. The balances in one of the financial institutions are insured by the Federal Deposit Insurance Company up to $250,000. From time to time, the Collaborative maintains bank account balances in excess of the federally insured limits. The Collaborative also maintains cash and cash equivalents at the Massachusetts Municipal Depository Trust which is collateralized by its underlying assets. At June 30, 2022, the Collaborative's uninsured cash balances, including reconciling items, totaled $4,499,460. The Collaborative monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Fair Value Measurements and Investments

The Collaborative has contributed $4,790,580 to a public employee retirement trust account with Public Agency Retirement Services as trustee, on behalf of its retirees' health insurance trust fund. The trustee invests the funds in Vanguard mutual funds. As of June 30, 2022, the balance in these investments consisted of the following:

	Cost	Fair Value	Unrealized Gain
Mutual Funds	$4,790,580	$6,030,973	$1,240,393

All investments of the Collaborative are measured at fair value, generally based on quoted market prices in accordance with level 1 of the Fair Value Hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*.

Net decrease in the fair value on investments for the year ended June 30, 2022 was $881,086. There were no realized gains or losses during the year ended June 30, 2022. Investment fees for the year ended June 30, 2022 were $17,947.

The Collaborative manages its investments in accordance with state public finance laws that require that all moneys held in the name of the Collaborative, which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety, liquidity and yield. The Collaborative has directed a local investment management service to manage the funds as conservatively as possible. However, the investments are still subject to market risk of loss. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Collaborative will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Collaborative's investments are uninsured, not registered in the name of the Collaborative, and held by the counterparty's trust department or agent but not in the Collaborative's name.

Operating Revenues and Expenses

Operating revenues consist primarily of billings to member municipalities or other cities and towns for providing programs and services. The Collaborative also receives approximately 19% of its revenues under social service contracts issued by agencies of the Commonwealth of Massachusetts, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments. Operating expenses include educational costs, administrative expenses and depreciation on capital assets.

Accounts Receivable

Accounts receivable consist of all revenues earned at year end and not yet collected. Major receivable balances include tuitions and certain related charges. The Collaborative records its bad debts using the allowance method. As of June 30, 2022, there was an allowance for doubtful accounts of $25,467.

Credits Due to Member Districts

"Credits due to member districts" represent member district credits issued during the fiscal year but not utilized by the district during the fiscal year. The credits are to be applied against future Collaborative invoices or disbursed to the member district and are not considered an agency fund of the Collaborative.

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

Property and Equipment

Property and equipment are capitalized at historical cost. Depreciation is computed on the straight-line method using estimated useful lives of two to five years for websites, computer equipment, furniture, fixtures, vehicles and program equipment and five to ten years for leasehold improvements. The Collaborative has purchased and renovated a building. The building and renovations are depreciated using estimated useful lives of 40 and 20 years, respectively.

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.

Invested in right-of-use assets, net of liabilities – this component of net position consists of right-of-use assets, net of accumulated amortization, reduced by the outstanding balances of liabilities that are attributable to the leased assets.

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

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

Fund Financial Statements

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

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

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

Committed fund balance – consists of amounts which can only be used for specific purposes pursuant to constraints imposed by the Collaborative'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 Collaborative'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.

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

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

Subsequent Events
Subsequent events have been evaluated through November 17, 2022, which is the date the financial statements were available to be issued.

NOTE B – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2022:

Tuition and services to districts	$ 2,822,913
State contracts	557,368
	3,380,281
Allowance for doubtful accounts	(25,467)
	$ 3,354,814

The Collaborative has established an allowance for doubtful accounts in the amount of $25,467. 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. For the year ended June 30, 2022, the Collaborative recorded no bad debt expense.

NOTE C – CAPITAL ASSETS

A summary of depreciable capital assets follows:

	Buildings & Improvements	Furniture, Equipment & Software	Vehicles	Total
COST				
Balance, July 1, 2021	$8,927,167	$ 1,278,478	$1,228,195	$11,433,840
Additions	234,000	12,476	83,340	329,816
Disposals	—	—	—	—
	9,161,167	1,290,954	1,311,535	11,763,656
ACCUMULATED DEPRECIATION				
Balance, July 1, 2021	(2,589,920)	(1,010,812)	(832,337)	(4,433,069)
Additions	(498,266)	(98,816)	(175,210)	(772,292)
Disposals	—	—	—	—
	(3,088,186)	(1,109,628)	(1,007,547)	(5,205,361)
Net, June 30, 2022	$ 6,072,981	$ 181,326	$ 303,988	$ 6,558,295

Land in the amount of $677,500 is not being depreciated. In fiscal 2022, the Collaborative capitalized $234,000 for building improvements, $83,340 for vehicles, and $12,476 for office furniture and equipment. Depreciation expense of $772,292 was not allocated to governmental functions. It appears unallocated on the Statement of Activities. The capital reserve for future capital purchases is fully funded.

NOTE D –LEASE OBLIGATIONS

The Collaborative leases various classroom and office spaces and office equipment under operating leases. All of its leases qualifying as long-term leases are recorded in accordance with GASB Statement No. 87. The Collaborative calculated all lease assets and liabilities in effect at July 1, 2021 and recorded a cumulative effect from the change as a decrease in net position of $776.

NOTE D –LEASE OBLIGATIONS – *continued*

During fiscal 2017, the Collaborative entered into a building lease for program use at 135 Coburn Road in Tyngsborough, Massachusetts, commencing July 1, 2016 through June 30, 2033 including extensions. The lease requires quarterly rent payments of $63,988 through June 2028, then it is adjusted to $31,250 through June 2030, and finally adjusted to $94,181 through June 2033. During fiscal 2019, the Collaborative entered into a building lease for program and administrative use at 25 Linnell Circle in Billerica, Massachusetts, commencing July 1, 2018 through June 30, 2025 including extension. The lease requires monthly payments of $13,187 through June 2023, then it is adjusted to $13,583 through June 2024, and finally adjusted to $13,991 through June 2025. During fiscal 2018, the Collaborative entered into a building lease for program use at 17 Bridge Street in Billerica, Massachusetts, commencing July 1, 2017 through June 30, 2022, and was not renewed. During fiscal 2022, the Collaborative entered into a building lease for program use at 11 Executive Park Drive in Billerica, Massachusetts, commencing June 1, 2022 through August 31, 2032. The monthly payments are increased annually by approximately 2% of the prior year. The Coburn Road, Linnell Circle and Executive Park Drive leases represent the total of the right-of-use lease assets and liabilities. Due to the exercise of the extensions during fiscal 2022 for the Coburn Road and Linnell Circle leases, the Collaborative remeasured the lease asset and liability which resulted in a gain on modification of $26,130. Right-of-use assets and initial liabilities are valued using a rate of 6% which represents the Collaborative's incremental borrowing rates at the time the leases and extension were entered into, respectively.

Lease agreements, including modifications, are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Asset/Liability	Accum. Amort. 6/30/2022	Net Asset 6/30/2022	Liability Balance 6/30/2022
135 Coburn Road**	7/1/2016	17 years	$255,950 (FY22)	6.00%	$2,133,409	$ 77,862	$2,055,547	$2,090,808
25 Linnell Circle	7/1/2018	4 years	$158,249 (FY22)	6.00%	-	-	-	-
25 Linnell Circle	7/1/2022	3 years	$158,249 (FY23)	6.00%	448,324	-	448,324	448,324
11 Executive Park Drive	6/1/2022	9.25 years	$14,200 (FY22)	6.00%	1,429,413	11,621	1,417,792	1,415,215
Total Lease Agreements					$4,011,146	$89,483	$3,921,663	$3,954,347

**Lease was modified during FY2022.

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

Year Ending 30-Jun	Principal	Interest	Total
2023	$450,000	$134,900	$584,900
2024	386,530	206,717	593,247
2025	340,847	260,900	601,747
2026	277,229	160,361	437,590
2027	298,285	143,155	441,440
Thereafter	2,201,456	459,186	2,660,642
	$3,954,347	$1,365,219	$5,319,566

For the years ended June 30, 2022, total amortization expense of leased assets was $326,078 and total interest expense on lease liabilities was $160,359.

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

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

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

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

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

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

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

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

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

Contributions:

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

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

Educational collaboratives contribute amounts equal to the normal cost of employees' benefits participating in MSERS at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 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 year 2022, the Collaborative's contributions on behalf of employees totaled $327,982.

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

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

The Commonwealth is a nonemployer contributor in MTRS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS. Therefore, the Collaborative 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 in 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 Collaborative must recognize its portion of the collective pension expense as both a revenue and pension expense.

The nonemployer contributing entities' share of the collective net pension liability that is associated with the Collaborative was measured as of June 30, 2021 and was $8,006,281 and $18,129,788 under MSERS and MTRS, respectively. In fiscal 2021, the Collaborative recognized revenue and related expense of $503,924 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2021, the Collaborative recognized revenue and related expense of $1,454,840 (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 F – COMPENSATED ABSENCES

The Collaborative allows eligible employees to carryover unused vacation time up to 10 days per year and to accrue a maximum of 20 days total. At the end of the fiscal year, any unused vacation time in excess of the above amounts is forfeited. The Collaborative's vacation accrual for the year ended June 30, 2022 was $85,581.

NOTE G – RISK MANAGEMENT

The Collaborative 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 Collaborative 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 Collaborative. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

Beginning in March 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in overall economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Collaborative's operations and financial position. Any financial impact to the Collaborative, if any, cannot be reasonably estimated at this time. Management and the Collaborative's board of directors constantly monitor the financial and operational situation in relation to the pandemic.

The Collaborative offers eligible participants access to various health and life insurance. Payment, in the form of premiums, is generally made monthly. The payments are funded in part from the Collaborative and payroll withholdings from active employee participants or direct payments from certain other eligible participants. In general, the Collaborative pays 75-80% of the cost of health insurance and 100% of the cost of life insurance for those participants that qualify.

NOTE H – COMMITMENTS AND CONTINGENCIES

The Collaborative participates in state and federal contracts, which are governed by various rules and regulations of the agencies. Costs charged to the respective programs are subject to audit and adjustment by agencies; therefore, to the extent that the Collaborative has not complied with the rules and regulations governing the refunds of any money received may be required and the collectability of any related receivable at June 30, 2022 may be impaired. In the opinion of the Collaborative, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective contracts; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN

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

<u>Description</u>

At the board meeting on June 18, 2015, the Collaborative's board members implemented a postemployment health care plan and voted to create a trust fund for related retiree health benefits to take effect July 1, 2015. The trust fund is held for the benefit of a third party (retiree health insurance participants) and cannot be used to address activities or obligations of the Collaborative, therefore these funds are not incorporated into the government-wide financial statements. All funds of the trust are held at Public Agency Retirement Services and are held in mutual funds. The trust is irrevocable and is exempt from federal and state income taxes under Internal Revenue Code Section 115. The sole purpose of the trust is to provide funds to pay postemployment healthcare benefits to qualified retirees. The plan has the retirees pay for 20% of the premiums for the medical insurance. As a result of establishing the trust, the Collaborative's board members voted to transfer $3,150,000 to fund the trust. During the fiscal year ending June 30, 2022 the Collaborative's board voted to transfer an additional $1,640,580 to the trust for a total transfer to date of $4,790,580.

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – *continued*

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 creditable service at the Collaborative
ii. And attainment of age 55 as an active member
iii. Or completion of 20 years of service at the Collaborative, 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 creditable service at the Collaborative
ii. And attainment of age 60 as an active member

Funding Policy
The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. For the period ending on the June 30, 2022 Measurement Date total Collaborative premiums plus implicit costs for the retiree medical program were $53,917. The Collaborative also contributed $1,640,580 to the OPEB Trust for a total contribution during the measurement period of $1,694,497 to be reported in the financial statements for the fiscal year ending June 30, 2022.

Investment Policy
The long-term rate of return on assets developed based on the Collaborative Investment Policy is 5.44%. The rate is comprised of a 3.31% real rate of return and 2.50% inflation assumption, net of 0.37% investment expense.

Actuarially Determined Contribution (ADC)
The Collaborative'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 calculation used a 30-year flat dollar amortization of the Collaborative's unfunded liability for the purpose of calculating ADC. The following table shows the components of the Collaborative's annual ADC for the fiscal year and the amount actually contributed to the plan:

Actuarially Determined Contribution - Deficiency / (Excess)

		June 30, 2022
I.	Service Cost	$ 917,149
II.	30-year level dollar amortization of NOL	79,667
III.	Actuarial Determined Contribution [I. + II.]	996,816
IV.	Contributions in relation to the actuarially determined contribution	(1,694,497)
V.	Contribution deficiency / (excess) [III. + IV.]	($ 697,681)
Covered employee payroll		$11,143,102
Contribution as a % of covered employee payroll		15.21%
Discount Rate		5.04%
Money Weighted Rate of Return		(14.79%)

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – *continued*

OPEB Liability and OPEB Expense

	Fiscal Year Ended June 30, 2022	
	Collaborative Employees and Retirees	**Total**
I. Total OPEB Liability as of June 30, 2022	$7,855,437	$7,855,437
II. Fiduciary Net Position as of June 30, 2022	6,030,973	6,030,973
III. Net OPEB Liability (Asset) as of June 30, 2022 [I.-II.]	1,824,464	1,824,464
IV. Service Cost	917,149	917,149
V. Interest on Total OPEB Liability (Asset), Service Cost, and Benefit Payments	367,674	367,674
VI. Projected Earnings on OPEB Plan Investments	(355,066)	(355,066)
VII. Net Recognition of Deferred (Inflows)/Outflows	(26,124)	(26,124)
VIII. Financial Statement Expense [IV.+V.+VI.+VII.]	903,633	903,633
IX. Employer Share of Costs	(53,917)	(53,917)
X. Employer (Payments) Withdrawals to/from OPEB Trust	(1,640,580)	(1,640,580)
XI. Total Employer Contribution [IX.+X.]	(1,694,497)	(1,694,497)
XII. Net OPEB Expense [VIII.+XI.]	($ 790,864)	($ 790,864)

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, 2022 Measurement Date would increase to $10,345,685 and Net OPEB Liability would increase to $4,314,712. 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 $6,083,670 and the Net OPEB Liability would decrease to $52,697.

Effect of 1% Change in Discount Rates

As of the June 30, 2022 Measurement Date, if the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to $6,366,402 and the Net OPEB Liability would decrease to $335,429. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to $9,824,559 and the Net OPEB Liability would increase to $3,793,586.

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:	5.04% per annum (previously 4.25%)
General Inflation Assumption:	2.50% per annum
Annual Compensation Increases:	3.00% per annum
Actuarial Value of Assets:	Market Value

Recognition of OPEB Trust Assets

The state of Massachusetts has passed legislation allowing municipal entities to establish a Trust for Other Postemployment Benefits ("OPEB") under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 75. This legislation was amended effective November 9, 2016 to clarify who may adopt such a Trust and provide guidance on the ongoing operation of such a Trust. The Collaborative has established an irrevocable trust for the purposes of prefunding liabilities under GASB 74/75.

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – *continued*

Changes in Net OPEB Liability

Changes in Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
I. Balances at June 30, 2021	$ 7,760,675	$ 5,271,479	$ 2,489,196
II. Prior Period Adjustment	-	-	-
III. Balances for June 30, 2021 with Adjustment [I.+II.]	7,760,675	5,271,479	2,489,196
Changes for the year:			
IV. Service Cost	917,149	-	917,149
V. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	367,674	-	367,674
VI. Changes in Benefit Terms*	-	-	-
VII. Changes in assumptions**	(1,136,144)	-	(1,136,144)
VIII. Differences between actual and expected experience**	-	-	-
IX. Net Investment Income	-	(881,086)	881,086
X. Employer Contributions (Withdrawals) to/from Trust	-	1,694,497	(1,694,497)
XI. Benefit payments withdrawn from Trust	-	(53,917)	53,917
XII. Benefit payments excluding Implicit Cost	(53,917)	-	(53,917)
XIII. Implicit Cost Amount	-	-	-
XIV. Total Benefit payments including Implicit Cost [XII.+XIII.]	(53,917)	-	(53,917)
XV. Administrative and Other Charges	-	-	-
XVI. Other Charges	-	-	-
XVII. Net Changes [IV.+V.+VI.+VII.+VIII.+IX.+X.+XI.+XIV.+XV.+XVI.]	$ 94,762	$ 759,494	($ 664,732)
XVI. Balances at June 30, 2022 [III.+XVII.]	$ 7,855,437	$ 6,030,973	$ 1,824,464

* Recognized immediately
** Amortized over 7 years

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

Deferred Inflows/Outflows

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

Fiscal	Differences between actual & expected experience	Recognition Period (years)	Remaining Balance	2022	2023	2024	2025	2026	2027
2019	(1,703,175)	7.00	(729,931)	(243,311)	(243,311)	(243,311)	(243,309)	-	-
2020	(469)	7.00	(268)	(67)	(67)	(67)	(67)	(67)	-
2021	(1,125,612)	7.00	(804,008)	(160,802)	(160,802)	(160,802)	(160,802)	(160,802)	(160,800)
2022	0	7.00	-	-	-	-	-	-	-
Total Remaining Balance			(1,534,207)						
Net increase (decrease) in OPEB Expense				(404,180)	(404,180)	(404,180)	(404,178)	(160,869)	(160,800)

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN - *continued*

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

Fiscal	Differences between actual & expected experience	Recognition Period (years)	Remaining Balance	2022	2023	2024	2025	2026	2027
2019	2,659,477	7.00	1,139,777	379,925	379,925	379,925	379,927	-	-
2020	-	7.00	-	-	-	-	-	-	-
2021	467,416	7.00	333,868	66,774	66,774	66,774	66,774	66,744	66,772
2022	(1,136,144)	7.00	(973,838)	(162,306)	(162,306)	(162,306)	(162,306)	(162,306)	(162,306)
Total Remaining Balance			499,807						
Net increase (decrease) in OPEB Expense				284,393	284,393	284,393	284,395	(95,532)	(95,534)

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of differences between projected & actual earnings on OPEB plan investments

Fiscal	Differences between actual & expected experience	Recognition Period (years)	Remaining Balance	2022	2023	2024	2025	2026	2027
2019	(30,347)	5.00	(6,071)	(6,069)	(6,071)	-	-	-	-
2020	18,043	5.00	7,216	3,609	3,609	3,607	-	-	-
2021	(755,533)	5.00	(453,319)	(151,107)	(151,107)	(151,107)	(151,105)	-	-
2022	1,236,152	5.00	988,922	247,230	247,230	247,230	247,230	247,232	-
Total Remaining Balance			536,748						
Net increase (decrease) in OPEB Expense				93,663	93,661	99,730	96,125	247,232	-

NOTE J – TAX POSITION

The primary tax positions made by the Collaborative are the existence of Unrelated Business Income Tax and the Collaborative's status as an exempt organization under the Internal Revenue Code. The Collaborative currently evaluates all tax positions, and makes determinations regarding the likelihood of those positions being upheld under review. For the years presented, and as a result of adoption, the Collaborative has not recognized any tax benefits or loss contingencies for uncertain tax positions based on its evaluations. The Collaborative is not currently under examination by any taxing jurisdiction. As a Chapter 40 governmental entity, the Collaborative is exempt from filing certain non-profit filings and, accordingly, there are no returns currently open for examination.

NOTE K – COMMONWEALTH OF MASSACHUSETTS SURPLUS REVENUE RETENTION (OSD)

The excess (deficiency) of revenue received from departments of 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 the provider's revenues derived from contracts with state departments annually. For fiscal 2016 and beyond, there is no limit on the cumulative amount of the provider's net surplus. For the year ended June 30, 2022, the Collaborative had no surplus revenue from contracts with state departments.

NOTE L – 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 Collaborative during fiscal year 2022 were as follows:

Name	Title	Total Compensation
Chris A. Scott, PhD	Executive Director	$225,164
Joia Mercurio	Deputy Director	$138,180
Kari Ann Morrin	Director of Human Resources	$131,065
James George	Business Manager Town Accountant	$125,875
Heather Valcanas	Former Director of Adult & Transitional Services	$124,921

Executive Director:

Responsible for the proper fiscal management of Collaborative Programs. Administer and coordinate all programs and services offered by the Collaborative. Develop and propose an annual budget to the Board of Directors. Ensure Collaborative is operating within and in compliance with federal and state laws.

Deputy Director:

Responsible for supervising the effective and efficient implementation of programs and the payroll department. Assist in the creation of required state reports, records and other documentation. Keep the executive director informed about what is happening at the program level.

Director Human Resources:

Responsible for administering personnel programs and policies for the Collaborative and ensuring that proper practices are being followed. Handle all aspects with the hiring process. Manage the day-to-day human resource functions.

Business Manager Town Accountant:

Responsible for financial reporting, budgeting and ensures the Collaborative's overall financial integrity, stability and best practices in all financial management operations. Supervise the business office personnel and assist in managing payroll and employee contracts.

Director of Adult & Transitional Services:

Responsible to ensure oversight of the adult programs and state contracts with the Commonwealth of Massachusetts. Other responsibilities include, ensure safety and structure of program, coordination with vendor contracts, both state and other businesses, and ensure the development of the adults using the programs.

Amounts expended on services for individuals aged 22 years and older

Total direct costs incurred by the Collaborative in its over 21 programs, funded in part by contracts with agencies of the Commonwealth of Massachusetts, totaled $3,124,939 for the year ended June 30, 2022, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments.

Amounts expended on administration and overhead

Administrative expenses of $1,972,735 for the year ended June 30, 2022, include all costs that cannot be directly or reasonably applied to a program of the Collaborative. Administrative expenses include salaries, related benefits and payroll taxes, associated with the Collaborative'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 Collaborative 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.

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

The Collaborative does not hold any accounts that may be spent at the discretion of another person or entity.

NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4E - *continued*

Transactions between the Collaborative and any related for-profit or non-profit organization
Other than the leases described below, the Collaborative had no transactions between the Collaborative and any related for-profit or non-profit organization.

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 C and D to the financial statements. The Collaborative leases classroom and other program space within Tyngsborough, a member district. For the year ended June 30, 2022, rent expense under this lease was $255,950. During the year ended June 30, 2020, the Collaborative paid $1,000,000 for improvements to the leased space within Tyngsborough. The improvements are depreciated in the government wide financial statements over the lease term.

Annual determination and disclosure of cumulative surplus

Cumulative Surplus Calculation – FY22								Page(s) in financial statements
(A)	**Surplus as of June 30, 2021**				$	5,266,193	(A)	**p. 12**
	(Breakdown of use of 2021 surplus)							
	B(1) used to support the FY22 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)	$	1,140,580					
(B)	**Board voted uses of surplus funds during FY22**			*(total from B1:B4)*	$	1,140,580	(B)	**p. 12**
(C)	**Unexpended FY22 General Funds**				$	1,201,989	(C)	**p. 12**
(D)	Cumulative Surplus as of June 30, 2022			(A) - (B) + (C) = (D)	$	5,327,602	(D)	**p. 12**
(E)	**FY22 Total General Fund Expenditures***				$	21,054,113	(E)	**p. 12**
(F)	Cumulative Surplus Percentage			(D) ÷ (E)		**25.30%**	(F)	

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

(G)	Cumulative surplus as of June 30, 2022				$	5,327,602
				25% limit (allowed)	$	5,263,528
(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	$	64,074			
	(H)3 Returned (check) to school districts/towns	$	-			
				Total Reductions	$	64,074
				FY22 Cumulative Surplus Percentage after Reductions		**25.00%**

NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4E - *continued*

*Reconciliation of Total General Fund Expenditures to the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds on page 12:

Total Expenditures:	$25,272,333
OPEB Obligation Funding:	1,640,580
Lease Right-of-use Asset:	(4,011,147)
Intergovernmental Expense:	(1,958,764)
	20,943,002
FY22 depreciation on leasehold improvements:	111,111**
Total General Fund Expenditures per calculation above:	$21,054,113

**During the year ended June 30, 2020, the Collaborative paid for $1,000,000 of improvements to a leased facility. The payment was approved and budgeted by the Collaborative's board of directors. However, because this was a special one-time payment, the Collaborative requested clarification from the Department of Elementary and Secondary Education ("DESE") regarding treatment of the expenditure. DESE requested that the $1,000,000 capital expenditure be treated as an expenditure over the remaining lease term of 9 years for purposes of determining the cumulative surplus funds in excess of 25% of general fund expenditures. The annual amount to be reported as an expenditure is $111,111.

***Subsequent to June 30, 2022, but prior to issuance of the financial statements, the Collaborative's board of directors voted to transfer $64,074 to the OPEB Trust Account. The $64,074 is the required excess to be transferred to comply with the 25% cumulative surplus allowance.

Valley Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balance
of the General Fund - Budget to Actual
For the year ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Tuition and services	$ 17,268,440	$ 16,250,000	$ 16,952,896	$ 702,896
Grants and contracts	2,521,300	3,050,000	3,916,806	866,806
Other	300,800	925,000	131,285	(793,715)
Interest	29,000	1,000	3,424	2,424
Intergovernmental revenue	-	-	1,958,764	1,958,764
Total revenue and other support	20,119,540	20,226,000	22,963,175	2,737,175
Expenses:				
Salaries	13,181,932	13,381,932	13,873,789	(491,857)
Employee benefits and taxes	2,565,771	2,473,735	2,474,282	(547)
Operating expenses	2,946,100	2,653,200	2,148,640	504,560
Leases and rentals	460,109	531,209	475,895	55,314
On-behalf retirement payment expense	-	-	1,958,764	(1,958,764)
Total expenses	19,153,912	19,040,076	20,931,370	(1,891,294)
Excess of revenues over expenses	$ 965,628	$ 1,185,924	$ 2,031,805	$ 845,881
Other Budget Items:				
Credits to member districts	$ -	$ -	$ -	$ -
Capital Budget Items	625,000	899,000	329,816	569,184
OPEB obligation funding	-	-	1,640,580	(1,640,580)
	$ 625,000	$ 899,000	$ 1,970,396	$ (1,071,396)

Note: The schedule above is presented on the same basis used by the Collaborative to present its internal budget to actual comparison and account groupings are not necessarily consistent with the Statement of Revenue, Expenditures and Changes in Fund Balances presented on page 12. Also, capital budget items presented above include actual capital outlays and transfers made to or from the Capital Reserve Fund.

Valley Collaborative
OPEB Plan - Required Supplementary Information
June 30, 2022

Year	Actuarial Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
June 30, 2019	$ 880,811	$ (61,922)	$ 818,889	$ 11,092,407	0.56%
June 30, 2020	$ 951,385	$ (45,883)	$ 905,502	$ 11,425,179	0.40%
June 30, 2021	$ 903,135	$ (51,730)	$ 851,405	$ 10,818,546	0.48%
June 30, 2022	$ 996,816	$ (1,694,497)	$ (697,681)	$ 11,143,102	15.21%

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.

Valley Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2022 Measurement Date

Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios					
Valuation Date:	**July 1, 2020**	**July 1, 2020**	**July 1, 2018**	**July 1, 2018**	**July 1, 2017**
For the Measurement Period ending on the Measurement Date of:	**June 30, 2021**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
For the Reporting Period & Fiscal Year ending on:	**June 30, 2021**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Total OPEB Liability	7,855,437	7,760,675	7,321,481	6,291,640	4,270,784
I. Service Cost	917,149	804,839	776,751	752,044	608,129
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	367,674	344,281	299,442	374,432	18,642
III. Changes in Benefit terms	-	-	-	-	-
IV. Difference between Expected & Actual Plan Experience	-	(1,125,612)	(469)	(1,703,175)	-
V. Changes of Assumption	(1,136,144)	467,416	-	2,659,477	43,514
VI. Benefit Payments Excluding Implicit Cost	(53,917)	(50,682)	(44,753)	(48,295)	(30,590)
VII. Implicit Cost Amount	-	(1,048)	(1,130)	(13,627)	-
VIII. Total Benefit payments including Implicit Cost [VI.+VII.]	(53,917)	(51,730)	(45,883)	(61,922)	(30,590)
IX. Net Change in OPEB liability [I.+II.+III.+IV.+V.+VIII.]	94,762	439,194	1,029,841	2,020,856	639,695
X. Total OPEB liability - beginning of period	7,760,675	7,321,481	6,291,640	4,270,784	(148,019)
XI. Prior Period Adjustment for Retirees not Previously Reflected	-	-	-	-	-
XII. Total OPEB Liability - end of period [IX.+X.+XI.]	7,855,437	7,760,675	7,321,481	6,291,640	491,676
Plan Fiduciary Net Position	6,030,973	5,271,479	4,266,767	4,039,225	3,779,108
XIII. Earning from Plan Investments	(881,086)	1,004,712	227,542	260,117	236,892
XIV. Employer Contribution to trust	1,694,497	51,730	45,883	61,922	30,590
XV. Benefit payments from trust, including refunds of member contributions	(53,917)	(51,730)	(45,883)	(61,922)	(30,590)
XVI. Administrative expense	-	-	-	-	-
XVII. Other	-	-	-	-	-
XVIII. Net change in plan fiduciary net position [XIII.+XIV.+XV.+XVI.+XVII.]	759,494	1,004,712	227,542	260,117	236,892
XIX. Plan fiduciary net position - beginning of	5,271,479	4,266,767	4,039,225	3,779,108	3,542,216
XX. Plan fiduciary net position - end of period [XVIII.+XIX.]	6,030,973	5,271,479	4,266,767	4,039,225	3,779,108
XXI. Net OPEB Liability [XII.-XX.]	1,824,464	2,489,196	3,054,714	2,252,415	491,676
XXII. Plan fiduciary net position as a % of total OPEB liability [XX./XII.]	76.77%	67.93%	58.28%	64.20%	768.62%
XXIII. Covered employee payroll	11,143,102	10,818,546	11,425,179	11,092,407	11,775,259
XXIV. Plan NOL as % of covered employee payroll [XXI./XXIII]	16.37%	23.01%	26.74%	20.31%	4.18%
Single Discount Rate to calculate Plan Liabilities	5.04%	4.25%	4.25%	4.25%	7.50%

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.

Valley Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2022 Measurement Date

Notes to Required Supplementary Information:

Valuation Date:	Actuarially Determined Contribution was calculated as of July 1, 2020.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2022.

Actuarial Assumptions:

Investment Rate of Return:	5.44%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate:	4.09% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Single Equivalent Discount Rate:	5.04%, net of OPEB plan investment expense, including inflation.
Inflation:	2.50% as of June 30, 2022 and for future periods
Salary Increases:	3.00% annually as of June 30, 2022 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
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
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

Valley Collaborative

OPEB Plan - Required Supplementary Information

As of the June 30, 2022 Measurement Date

Notes to Required Supplementary Information (Continued):

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits:	12
Active Employees:	216
Total:	228

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 June 30, 2021 to June 30, 2022:

Due to the GASB 75 standards the discount rate has been changed from 4.25% to 5.04%.

Contributions/Withdrawals:

The contribution requirements of plan members and the Collaborative are established and may be amended through

Census Data Manipulation:

In the absence of data, the following was assumed:

Spouse Sex:	Male participants had female spouses and vice versa.
Spouse Age:	Male spouses were three years older than female spouses and same sex spouses were the same age.
Hire Age:	Participants who were not on the previous valuation were hired halfway between last valuation and the current valuation. If there was no census data related to the last valuation, the participants were assumed to have been hired at age forty.
Retiree Age:	Retirees had the same birth date as they had the prior valuation. If there was census data related to the last valuation, retirees who were enrolled in Active plans were assumed to be age sixty-two and retirees who were enrolled in Medicare Supplement plans were assumed to be age seventy-two. Those not enrolled in a medical plan were assumed to be sixty-seven.
School Demographics:	N/A
Other Material Changes:	No other data changes were deemed to be material.

Valley Collaborative

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

For the Year Ended June 30, 2022

		MTRS	MSERS
Collaborative's proportion of net pension liability	FY2014	0.10521%	0.02526%
	FY2015	0.07985%	0.02466%
	FY2016	0.08405%	0.07637%
	FY2017	0.08453%	0.08118%
	FY2018	0.09167%	0.08646%
	FY2019	0.08325%	0.10137%
	FY2020	0.08129%	0.08658%
	FY2021	0.07984%	0.07671%
Collaborative's proportionate share of net pension liability	FY2014	$ 16,724,835	$ 1,871,525
	FY2015	$ 16,360,313	$ 2,806,546
	FY2016	$ 18,790,793	$ 10,530,873
	FY2017	$ 19,344,064	$ 10,410,850
	FY2018	$ 21,737,193	$ 11,438,238
	FY2019	$ 20,989,574	$ 14,834,931
	FY2020	$ 23,205,036	$ 14,855,001
	FY2021	$ 18,129,788	$ 8,006,281
Collaborative's covered-employee payroll	FY2014	$ 6,277,563	$ 4,565,446
	FY2015	$ 5,347,143	$ 4,285,929
	FY2016	$ 5,527,894	$ 4,254,279
	FY2017	$ 5,762,613	$ 4,635,195
	FY2018	$ 6,333,668	$ 6,028,713
	FY2019	$ 6,087,231	$ 6,039,995
	FY2020	$ 6,181,687	$ 5,305,358
	FY2021	$ 6,202,814	$ 4,668,914
Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll	FY2014	266.42%	40.99%
	FY2015	305.96%	65.48%
	FY2016	339.93%	247.54%
	FY2017	335.68%	224.60%
	FY2018	343.20%	189.73%
	FY2019	344.81%	245.61%
	FY2020	375.38%	280.00%
	FY2021	292.28%	171.48%
Plan fiduciary net position as a percentage of 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%

Notes to Required Supplementary Information

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

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2021.

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.

Valley Collaborative
Schedule of Pension Contributions
For the Year Ended June 30, 2022

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
MTRS								
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collaborative's covered-employee payroll	$ 6,277,563	$ 5,347,143	$ 5,527,894	$ 5,762,613	$ 6,333,668	$ 6,087,231	$ 6,181,687	$ 6,202,814
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MSERS								
Contractually required contribution	$ 255,665	$ 240,012	$ 238,217	$ 259,571	$ 337,608	$ 338,240	$ 323,627	$ 284,804
Contributions in relation to the contractually required contribution	$ 255,665	$ 240,012	$ 238,217	$ 259,571	$ 337,608	$ 338,240	$ 323,627	$ 284,804
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collaborative's covered-employee payroll	$ 4,565,446	$ 4,285,929	$ 4,254,279	$ 4,635,195	$ 6,028,713	$ 6,039,995	$ 5,305,358	$ 4,668,914
Contributions as a percentage of covered-employee payroll	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	6.10%	6.10%

Notes to Required Supplementary Information
MTRS is the Massachusetts Teachers' Retirement System. MSERS is the Massachusetts State Employees' Retirement System. Also, see Note E to financial statements.

Measurement Date
The amounts presented in this schedule were determined as of June 30, 2021.

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 Collaborative 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 Collaborative and therefore has a 100% special funding situation.

FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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

To the Board of Directors of
Valley Collaborative
Billerica, 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 Valley Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Valley Collaborative's basic financial statements, and have issued our report thereon November 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley Collaborative's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valley Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Collaborative's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Collaborative'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*.

8 Essex Street • Newburyport, Massachusetts 01950 • Tel: (978) 462-2161 • Fax: (978) 462-8005
www.fd-cpa.com

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 collaborative'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 collaborative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fritz DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts
November 17, 2022

Valley
COLLABORATIVE

Central Administration

25 Linnell Circle, Billerica MA 01821 | Tel: (978) 528-7826 | www.valleycollaborative.org

ACCEPTANCE OF THE BOARD OF DIRECTORS

We, the Board of Directors of the Valley Collaborative, 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, supplemental schedules and independent auditor's reports for the year ended June 30, 2022.

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, 2022.

Board Chair

11/17/2022
Date