

**Valley Collaborative
Board of Directors Meeting
135 Coburn Road, Tyngsborough, Massachusetts
Wednesday, December 14, 2022 ▪ 11:00 a.m.**

Action Required

- I. Approval of Minutes
 - a. Board of Directors Meeting, General Session Minutes: November 17, 2022
- II. Financial Update
 - b. Treasurer's Report
 - c. PARS Statements
- III. Approval of FY'22 Annual Report
- IV. Proposed LPN and RN Salary Scale

No Action Required

- V. Presentation of Proposed FY'24 Budget
(Approval of the FY'24 Budget will occur at the January 12, 2023 Board Meeting)
- VI. Massachusetts Department of Developmental Services (DDS),
Office of Quality Enhancement (QUEST) Audit
- VII. Final FY'22 Audit completed by Fritz DeGuglielmo LLC
- VIII. Communications
 - Community and Staff Feedback
 - d. Holiday Message from Dr. Chris Scott
 - e. Thank you email from ACCEPT Education Collaborative
 - f. Staff Retirement Letter



Central Administration

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

MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Date: December 14, 2022
Re: Approval of Minutes

Attached please find the following minutes:

- a. Board of Directors General Session Meeting Minutes: November 17, 2022

Required Action:

Vote to approve the minutes:

- a. Board of Directors General Session Meeting Minutes: November 17, 2022

Attachments:

Board of Directors General Session Meeting Minutes: November 17, 2022

**Valley Collaborative Board of Directors
General Session Meeting Minutes
November 17, 2022
10:00 a.m. – 10:51 a.m.
11 Executive Park Drive, North Billerica, MA**

Board Members Present: Mr. Timothy Piwowar, Mr. Brad Morgan, Dr. Laura Chesson, Ms. Brenda Theriault-Regan, Dr. Michael Flanagan, Dr. Christopher Chew

Board Members Absent: Dr. Jay Lang, Mr. Steven Stone, Dr. Denise Pigeon

Collaborative Representatives Present: Dr. Chris Scott, Executive Director; Members of the Collaborative Senior Leadership Team

Also Present: Daniel Schaffner, Fritz & DeGuglielmo, LLC; Ruth Hersh, School Redesign and Education Collaborative Manager, Department of Elementary and Secondary Education; Thomas Lent, Barrow Weatherhead Lent LLP

Call to Order: Mr. Timothy Piwowar, Chairman, convened the Collaborative Board Meeting at 10:00 a.m.

Mr. Piwowar and Dr. Chris Scott welcomed all in attendance. Dr. Scott welcomed all to the new Collaborative facility at 11 Executive Park Drive.

Approval of Minutes

Mr. Timothy Piwowar requested the Board to review the meeting minutes made available for review and asked for a motion relating to the minutes.

On a motion made by Dr. Laura Chesson and seconded by Mr. Brad Morgan, a quorum of voters being present, it was voted:

VOTED: To approve the General Session Meeting Minutes for the Board of Directors dated October 20, 2022.

The vote was 4-0-2. Yes: Mr. Timothy Piwowar, Mr. Brad Morgan, Dr. Laura Chesson, Ms. Brenda Theriault-Regan. Dr. Michael Flanagan and Dr. Christopher Chew abstained.

Financial Update

Executive Director's Report

Dr. Scott directed the Board to the financial update memo contained within the Board meeting materials. Dr. Scott reviewed the revenues, expenses, budget and enrollment, including the balance and income statements through the first four months of the School Year. She noted the Collaborative enrollment and revenue figures, as compared to recent prior School Years, and noted that expenses due to inflation, payroll and benefit costs had increased. She reviewed her memo and the proposed amended budget with the Board.

On a motion made by Dr. Michael Flanagan and seconded by Ms. Brenda Theriault-Regan, a quorum of voters being present, it was voted:

VOTED: That the Board of Directors amends the FY2023 Operating Budget, with an amended expense budget in the amount of \$20,802,759, as presented and recommended by the Executive Director.

The vote was 5-0. Yes: Mr. Timothy Piwowar, Mr. Brad Morgan, Ms. Brenda Theriault-Regan, Dr. Michael Flanagan, Dr. Christopher Chew. Dr. Laura Chesson was absent for the vote.

Fiscal Year 2022 Audit

Dr. Scott introduced Daniel Schaffner from Fritz & DeGuglielmo, LLC, the Collaborative's independent certified auditors. Mr. Schaffner summarized and provided a general presentation of the audited financial statements of the Collaborative for the year ended June 30, 2022. He stated that his firm has provided an unqualified opinion on the financial statements, and indicated that the audit went very well and considered it a "clean audit" with no findings of weakness or noncompliance.

Mr. Schaffner reviewed the financial statements with the Board. He indicated that the Collaborative was within guidelines set forth by Chapter 40, Section 4E and its regulations, as well as compliance with regulations promulgated by the Massachusetts Operational Services Division that relate to the MRC and DDS programs at the Collaborative. He stated that, given the clean audit for fiscal year 2022, no management letter would be issued.

Mr. Schaffner reviewed with the Board the Uniform Financial Statement, which would be filed with the Massachusetts Operational Services Division. Mr. Schaffner reviewed with the Board the Collaborative's cumulative general fund surplus, and reviewed the calculations for the Collaborative's audited expenses. He noted that as of June 30, 2022, the Collaborative's Cumulative General Fund Surplus was \$5,327,602.

Cumulative Surplus Funds

The Board discussed options to fund the OPEB Trust or return surplus funds to member districts.

On a motion made by Mr. Brad Morgan and seconded by Dr. Michael Flanagan, a quorum of voters being present, it was voted:

VOTED: That the Board of Directors approves and authorizes the deposit of \$64,074 into the OPEB Trust with such deposit funds from the Collaborative's Cumulative General Surplus from Fiscal Year ending June 30, 2022.

The vote was 6-0. Yes: Mr. Timothy Piwowar, Mr. Brad Morgan, Ms. Brenda Theriault-Regan, Dr. Michael Flanagan, Dr. Christopher Chew, Dr. Laura Chesson.

Fiscal Year 2022 Financial Statements and Auditor's Report

On a motion made by Dr. Michael Flanagan and seconded by Ms. Brenda Theriault-Regan, a quorum of voters being present, it was voted:

VOTED: That the Board of Directors, having reviewed the Financial Statements and Independent Auditor's Report for Fiscal Year 2022 recognizes the Collaborative's Cumulative General Fund Surplus as of June 30, 2022 as \$5,327,602.

The vote was 6-0. Yes: Mr. Timothy Piwowar, Mr. Brad Morgan, Ms. Brenda Theriault-Regan, Dr. Michael Flanagan, Dr. Christopher Chew, Dr. Laura Chesson.

On a motion made by Dr. Michael Flanagan and seconded by Mr. Brad Morgan, a quorum of voters being present, it was voted:

VOTED: That the Board of Directors approves and accepts the Uniform Financial Statements and Independent Auditor's Report for Fiscal Year 2022 and the Financial Statements for Fiscal Year ending June 30, 2022 as presented, including the representations of management and the expression of opinions made by Fritz DeGuglielmo within the Financial Statements, Schedules and Independent Auditor's Report.

The vote was 6-0. Yes: Mr. Timothy Piwowar, Mr. Brad Morgan, Ms. Brenda Theriault-Regan, Dr. Michael Flanagan, Dr. Christopher Chew, Dr. Laura Chesson.

On a motion made by Mr. Brad Morgan and seconded by Dr. Michael Flanagan, a quorum of voters being present, it was voted:

VOTED: That the Board of Directors authorizes the Board Chairman and Executive Director to execute necessary signatures and file the UFR and related documentation with the Massachusetts Operational

Services Division and to take any other necessary action with respect to the UFR and related documentation on behalf of the Collaborative.

The vote was 6-0. Yes: Mr. Timothy Piwowar, Mr. Brad Morgan, Ms. Brenda Theriault-Regan, Dr. Michael Flanagan, Dr. Christopher Chew, Dr. Laura Chesson.

December 8, 2022 Board Meeting Date Conflict

The Board discussed the scheduling conflict for December 8, 2022, as it related to the requirement that the proposed Fiscal Year 2024 Budget must be presented at an open meeting on or before December 15 consistent with the Collaborative Articles of Agreement.

On a motion made by Dr. Laura Chesson and seconded by Ms. Brenda Theriault-Regan, a quorum of voters being present, it was voted:

VOTED: That the Board of Directors approves the revision to the academic calendar and the Board meeting dates so that the December 8, 2022 Board meeting shall be rescheduled to December 14, 2022, and authorizes the Executive Director to post the revised date on the Collaborative website.

The vote was 6-0. Yes: Mr. Timothy Piwowar, Mr. Brad Morgan, Ms. Brenda Theriault-Regan, Dr. Michael Flanagan, Dr. Christopher Chew, Dr. Laura Chesson.

Valley TECCA Pilot Partnership

Dr. Scott reviewed with the Board her memo contained in the Board meeting materials regarding the pilot partnership between Valley Collaborative and TEC Connections Academy (TECCA) that seeks to provide core curriculum to the Collaborative's students. Dr. Scott and the Board discussed.

Valley Collaborative Facilities Update

Dr. Scott presented the Board with a summary of the numerous facility improvements made at the Collaborative, which were also summarized within a memo contained in the Board materials, including its facilities at the new Adult Services program location at 11 Executive Drive in North Billerica, the elementary school at 135 Coburn Road in Tyngsborough and the facilities located at Linnell Circle in Billerica.

Communications

Dr. Scott directed the Board to the communications contained within the Board materials. There was no further discussion.

On a motion made by Mr. Brad Morgan and seconded by Dr. Laura Chesson, a quorum of voters being present, it was voted:

VOTED: To adjourn the Board meeting.

The vote was 6-0. Yes: Mr. Timothy Piwowar, Mr. Brad Morgan, Ms. Brenda Theriault-Regan, Dr. Michael Flanagan, Dr. Christopher Chew, Dr. Laura Chesson.

Mr. Timothy Piwowar adjourned the Collaborative Board Meeting at 10:51 a.m.

LIST OF DOCUMENTS USED, DISTRIBUTED AND REVIEWED AT THIS MEETING:

- School Year 2022-2023 Electronic Board Binder Board Meeting, November 17, 2022

Respectfully Submitted,

Mr. Timothy Piwowar, Chairman

Dated: _____



Central Administration

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

MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Date: December 14, 2022
Re: Financial Update

Attached you will find the Treasurer's Report and PARS Statements.

Required Action:

Vote to approve the Treasurer's Report

Attachments:

Treasurer's Report
PARS Statements



Central Administration

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MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Date: December 14, 2022
Re: Treasurer's Report

Attached are the Treasurer's Reports for September 2022 and October 2022.

Required Action:

None

Attachments:

Treasurer's Reports for September 2022 and October 2022

**VALLEY COLLABORATIVE
TREASURER'S REPORT
SEPTEMBER 30, 2022**

		<u>Beginning Balance</u>	<u>Receipts</u>	<u>Payroll</u>	<u>Accounts Payable</u>	<u>Earnings</u>	<u>Transfers</u>	<u>Ending Balance</u>
ENTERPRISE BANK ACCOUNTS								
Operating	a/c 493426	\$ 3,101,177.45	\$ 649,349.64		\$ (301,577.69)		\$ (1,191,000.00)	\$ 2,257,949.40
Payroll	a/c 795823	\$ 707,673.92		\$ (1,443,577.17)			\$ 1,200,000.00	\$ 464,096.75
Joe's Bistro	a/c 531401	\$ 10,415.93	\$ 2,954.50		\$ (1,428.59)		\$ (9,000.00)	\$ 2,941.84
ICS MMDA	a/c 856490	\$ 4,727.17				\$ 0.19		\$ 4,727.36
Capital Reserve	a/c 4063467	\$ 1,500,000.00						\$ 1,500,000.00
Independence Project	a/c 821315	\$ 864.36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 864.36
TOTAL ENTERPRISE BANK ACCOUNTS		<u>\$ 5,324,858.83</u>	<u>\$ 652,304.14</u>	<u>\$ (1,443,577.17)</u>	<u>\$ (303,006.28)</u>	<u>\$ 0.19</u>	<u>\$ -</u>	<u>\$ 4,230,579.71</u>
 MMDT	a/c 0044263747	<u>\$ 1,010,211.14</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,190.95</u>	<u>\$ -</u>	<u>\$ 1,012,402.09</u>
 Total Unrestricted Cash		<u>\$ 6,335,069.97</u>	<u>\$ 652,304.14</u>	<u>\$ (1,443,577.17)</u>	<u>\$ (303,006.28)</u>	<u>\$ 2,191.14</u>	<u>\$ -</u>	<u>\$ 5,242,981.80</u>
 PARS OPEB Trust		<u>\$ 6,126,081.54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,479.19)</u>	<u>\$ (453,778.52)</u>	<u>\$ -</u>	<u>\$ 5,670,823.83</u>
 TOTAL CASH		<u>\$ 12,461,151.51</u>	<u>\$ 652,304.14</u>	<u>\$ (1,443,577.17)</u>	<u>\$ (304,485.47)</u>	<u>\$ (451,587.38)</u>	<u>\$ -</u>	<u>\$ 10,913,805.63</u>

**VALLEY COLLABORATIVE
TREASURER'S REPORT
OCTOBER 31, 2022**

		<u>Beginning Balance</u>	<u>Receipts</u>	<u>Payroll</u>	<u>Accounts Payable</u>	<u>Earnings</u>	<u>Transfers</u>	<u>Ending Balance</u>
ENTERPRISE BANK ACCOUNTS								
Operating	a/c 493426	\$ 2,257,949.40	\$ 948,045.81		\$ (307,493.09)		\$ (1,200,000.00)	\$ 1,698,502.12
Payroll	a/c 795823	\$ 464,096.75		\$ (1,293,315.12)			\$ 1,200,000.00	\$ 370,781.63
Joe's Bistro	a/c 531401	\$ 2,941.84	\$ 2,403.00		\$ (1,289.72)			\$ 4,055.12
ICS MMDA	a/c 856490	\$ 4,727.36				\$ 0.20		\$ 4,727.56
Capital Reserve	a/c 4063467	\$ 1,500,000.00						\$ 1,500,000.00
Independence Project	a/c 821315	\$ 864.36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 864.36
TOTAL ENTERPRISE BANK ACCOUNTS		<u>\$ 4,230,579.71</u>	<u>\$ 950,448.81</u>	<u>\$ (1,293,315.12)</u>	<u>\$ (308,782.81)</u>	<u>\$ 0.20</u>	<u>\$ -</u>	<u>\$ 3,578,930.79</u>
MMDT	a/c 0044263747	\$ 1,012,402.09	\$ -	\$ -	\$ -	\$ 2,774.40	\$ -	\$ 1,015,176.49
Total Unrestricted Cash		<u>\$ 5,242,981.80</u>	<u>\$ 950,448.81</u>	<u>\$ (1,293,315.12)</u>	<u>\$ (308,782.81)</u>	<u>\$ 2,774.60</u>	<u>\$ -</u>	<u>\$ 4,594,107.28</u>
PARS OPEB Trust		<u>\$ 5,670,823.83</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,375.92)</u>	<u>\$ 188,547.61</u>	<u>\$ -</u>	<u>\$ 5,857,995.52</u>
TOTAL CASH		<u>\$ 10,913,805.63</u>	<u>\$ 950,448.81</u>	<u>\$ (1,293,315.12)</u>	<u>\$ (310,158.73)</u>	<u>\$ 191,322.21</u>	<u>\$ -</u>	<u>\$ 10,452,102.80</u>



Central Administration

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MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Date: December 14, 2022
Re: PARS Statements

Attached is the PARS Statement for October 2022.

Required Action:

None

Attachments:

PARS Statement for October 2022



VALLEY COLLABORATIVE
PARS OPEB Trust Program

Account Report for the Period
10/1/2022 to 10/31/2022

Heidi Kriger
Treasurer
Valley Collaborative
40 Linnell Circle
Billerica, MA 01821

Account Summary

Source	Beginning Balance as of 10/1/2022	Contributions	Earnings	Expenses	Distributions	Transfers	Ending Balance as of 10/31/2022
OPEB	\$5,670,823.83	\$0.00	\$188,547.61	\$1,375.92	\$0.00	\$0.00	\$5,857,995.52
Totals	\$5,670,823.83	\$0.00	\$188,547.61	\$1,375.92	\$0.00	\$0.00	\$5,857,995.52

Investment Selection

Source

OPEB **Vanguard Balanced Strategy**

Investment Objective

Source

OPEB The Balanced Portfolio invests in Vanguard mutual funds using an asset allocation strategy designed for investors seeking both a reasonable level of income and long-term growth of capital and income.

Investment Return

Source	1-Month	3-Months	1-Year	Annualized Return			Plan's Inception Date
				3-Years	5-Years	10-Years	
OPEB	3.32%	-7.78%	-17.62%	2.43%	4.03%	-	6/24/2015

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value

Past performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.

Investment Return: Annualized rate of return is the return on an investment over a period other than one year multiplied or divided to give a comparable one-year return.

Account balances are inclusive of Trust Administration, Trustee and Investment Management fees



Central Administration

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MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Date: December 14, 2022
Re: Approval of FY'22 Annual Report

Attached you will find the FY'22 Annual Report for your review.

Required Action:

Vote to approve the FY'22 Annual Report

Attachments:

FY'22 Annual Report

Valley Collaborative 2022 Annual Report



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General Information

Name of the collaborative: Valley Collaborative

Contact Information

Address:

25 Linnell Circle
Billerica, MA 01821

Phone:

978-528-7800

Website: www.valleycollaborative.org

Academic and fiscal year: 2021-2022 – FY '22

Valley Collaborative's Mission Statement:

To work collaboratively to create a structured learning environment that empowers individuals to lifelong learning and to navigate confidently and with optimal independence in their communities.

Valley Collaborative's Vision:

Valley Collaborative partners with families, districts, and the community to provide innovative programming that empowers students and adults to discover their individual strengths, interests, and abilities. In doing so, students become responsible contributing members of society.

Summary of Successes and Challenges

Message from Executive Director:

While this year has been filled with more than its fair share of challenges, there is much to be thankful for at Valley. I would be remiss if I did not highlight the extraordinary amount of care each and every staff at Valley pour into their work as they develop and implement innovative curriculum and programming that engages our students and DDS & MRC supported individuals. I, along with Valley's Board of Directors, am in awe of the dedication shown by staff to elicit the best possible outcome for those that they serve.

In spite of the worldwide pandemic, Valley Collaborative's FY '22 school year was very successful programmatically and financially.

- The financial position of the Collaborative remains very strong. Valley had a surplus of \$1.7 million in FY'22.

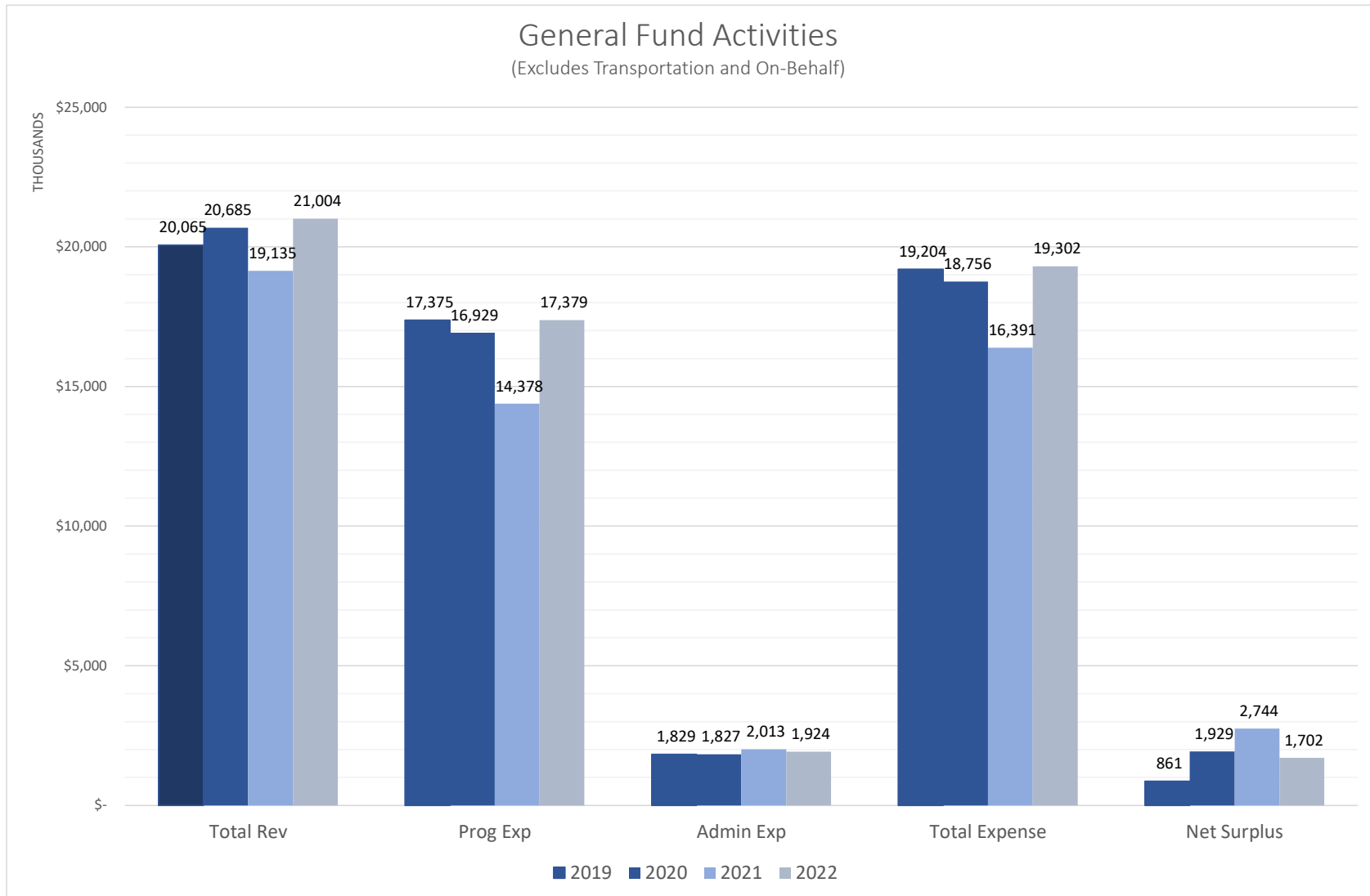
- The total assets at June 30, 2022 were \$27,643,017. This includes \$6,030,973 held in the OPEB Trust at June 30, 2022. Valley was in a position to add an additional 1.6 million to its OPEB trust in FY '22.
- Capital fund was fully funded \$1.5 million in FY '22.
- Change in net assets from operations in FY '22 was approximately \$1,201,989.
- As of June 30, 2022 OPEB Trust was 77% funded – according to the actuarial, Valley has one of the highest funded OPEB Trust among Collaboratives in the Commonwealth.
- The member districts in FY '22 voted a total of \$1.6 million into OPEB Trust.
- The Collaborative's cash position remains solid with over \$10.7 million (\$3.2 million unrestricted, 1.5 million Capital Fund, and \$6 million OPEB restricted) in cash and cash equivalents. This is the result of strong Board oversight, solid financial management, proper billing and collections of receivables.
- To enhance our students learning experience, they were given the opportunity to attend numerous field trips costing more than \$80,000.
- In the spirit of continuous improvement, the Collaborative made capital purchases of \$329,816 in FY '22 for Vehicles, Furniture, Technology and Improvements.
- Revenue for our adult program continues to grow as our DDS and MRC programming enjoys an excellent reputation resulting in increased enrollment.

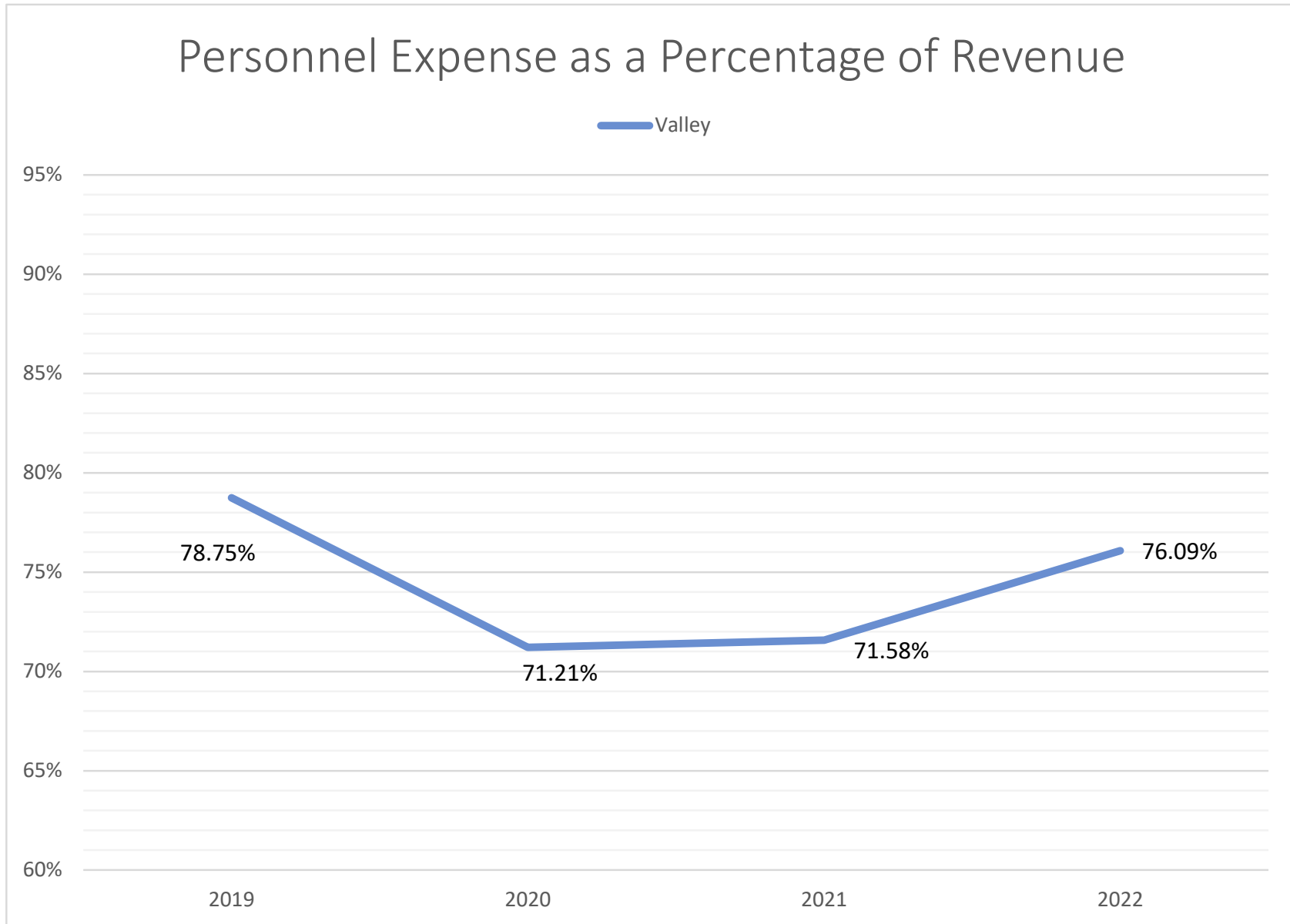
Thank you for taking the time to read our Annual Report and for your support of Valley Collaborative. If you ever have a suggestion or need assistance, my door is always open.

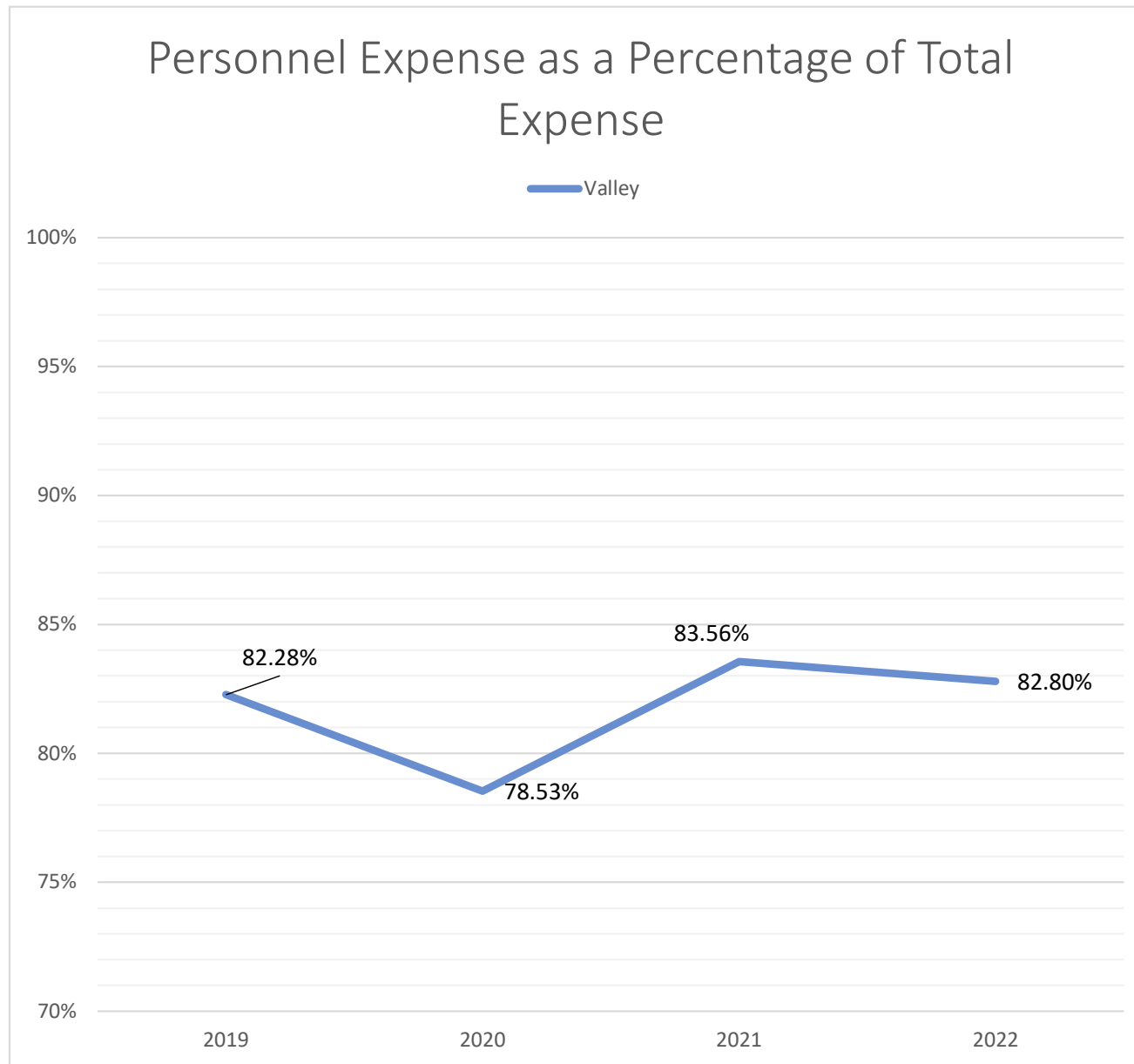
My best to you always,

Chris A. Scott
Executive Director
Valley Collaborative

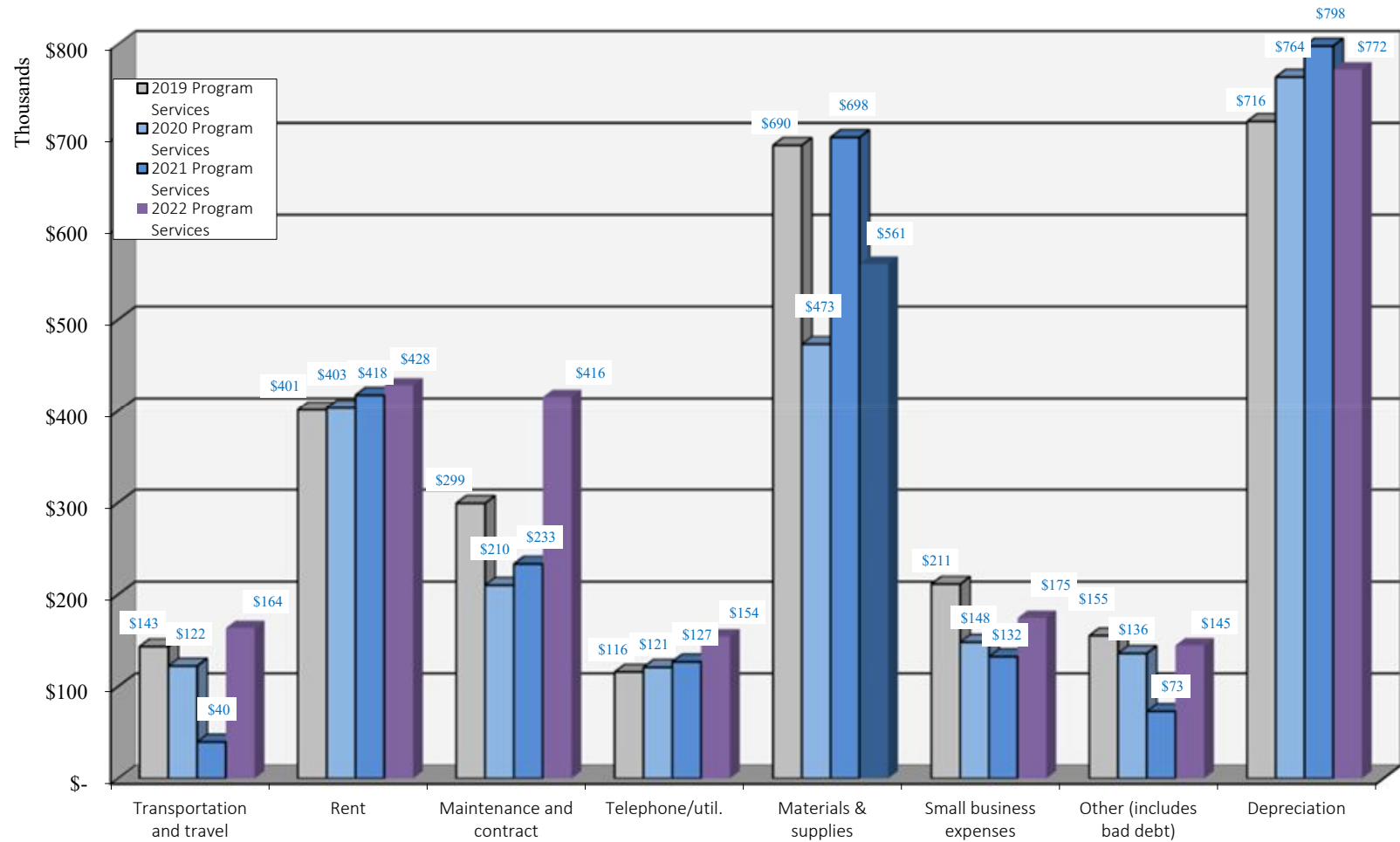
Valley Collaborative
Summary of Financial Activity
For the year ended June 30, 2022







Program Expense Comparison (Excludes Payroll)



Derived from audited financial statements for discussion purposes only.

Programming Excellence

Our educational offerings continue to be celebrated throughout the region for being of the highest quality and the most reasonably priced. Our enriched programmatic offerings include:

- Enhanced sensory regulation equipment
- Our greenhouse located at the elementary school serves as an outdoor classroom engaging our students in STEM activities aligned with the science standards
- A robust experiential physical education program
- Community based learning opportunities
- Dual enrollment program with Middlesex Community College
- An afterschool recreational program
- State-of-the-art STEM technology to engage students in the curriculum
- Numerous vocational partnerships with local businesses and corporations

Change(s) in Membership, Services, or Programs

None

Number of Years the Collaborative has been in Existence

Valley Collaborative was founded in 1976. It has been in existence for 46 years.

Revenue and Expenditure Information for the Subject Year

Please see full financial audit, posted on the website and page 32 of this document, for further details.

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	<u>8,445,166</u>
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	<u>11,157,458</u>
Total Assets	<u>19,602,624</u>

Deferred Outflows of Resources

Deferred Outflows of Resources Related to OPEB	<u>2,010,393</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,613,017</u>

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	<u>2,043,673</u>
Non-current Liabilities	
Lease liabilities, net of current portion	3,504,347
Net OPEB liability	1,824,464
Total Non-current Liabilities	<u>5,328,811</u>
Total Liabilities	<u>7,372,484</u>

Deferred Inflows of Resources

Deferred Inflows of Resources Related to OPEB	<u>2,508,045</u>
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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	<u>11,732,488</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 21,613,017</u>

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		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
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.

NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4E - continuedTransactions 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
<i>(Breakdown of use of 2021 surplus)</i>			
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	<i>(total from B1:B4)</i>	\$ 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:	<u>(1,958,764)</u>
	20,943,002
FY22 depreciation on leasehold improvements:	<u>111,111</u> **
Total General Fund Expenditures per calculation above:	<u>\$21,054,113</u>

**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.

Governance and Leadership

Board of Directors and Member Districts

The Valley Collaborative is governed by a Board of Directors comprising representatives from its nine member districts. The members of the Board of Directors in FY '22 were:

Chairperson Mr. Timothy Piwowar, Superintendent of the Billerica Public Schools
Dr. Michael Flanagan, Superintendent of the Tyngsborough Public Schools
Dr. Jay Lang, Superintendent of the Chelmsford Public Schools
Mr. Steven Stone, Superintendent of the Dracut Public Schools
Dr. Laura Chesson, Superintendent of the Groton-Dunstable Regional School District
Dr. Denise Pigeon, Superintendent of Nashoba Valley Technical School District
Mr. Brad Morgan, Superintendent of the North Middlesex Regional School District
Mr. Christopher Malone, Superintendent of the Tewksbury Public Schools (July - Feb.)
Ms. Brenda Theriault-Regan, Superintendent of the Tewksbury Public Schools (April - June)
Dr. Christopher Chew, Superintendent of the Westford Public Schools

Advisory Committee

Valley Collaborative's Board of Directors and District Planning Team currently act in an advisory committee role.

Staffing Information

Valley Collaborative employs Department of Elementary and Secondary Education licensed teachers. The Collaborative's other professional staff includes licensed speech and language pathologists, occupational therapists, physical therapists, social workers, guidance counselors, board certified behavior analysts, music therapists, and nurses. In addition, the Collaborative contracts the services of a physician.

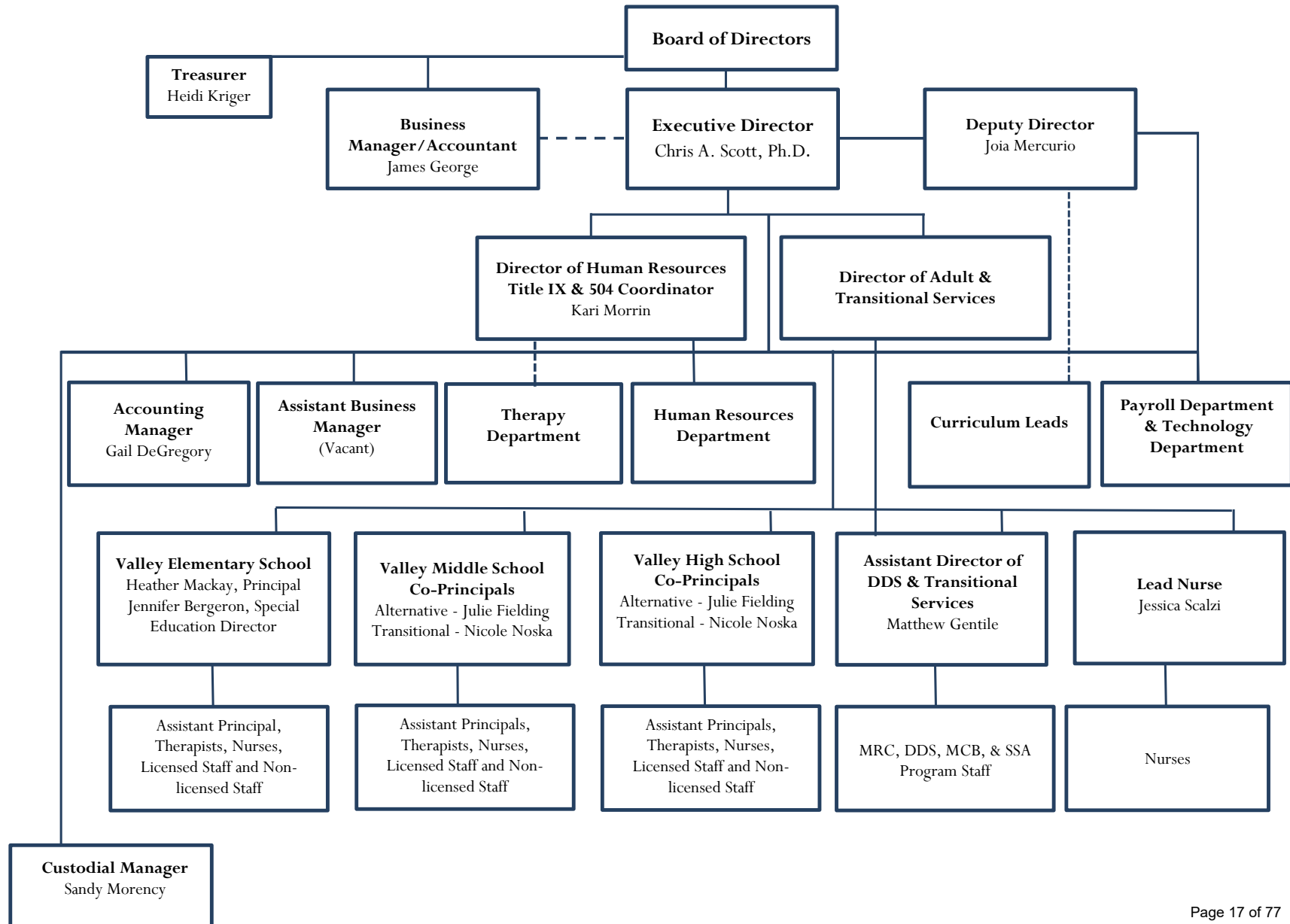
Key Management and Program Staff

District Staff:

Dr. Chris A. Scott, Executive Director
Mr. James George, Business Manager/Accountant
Ms. Joia Mercurio, Deputy Director
Ms. Kari Morrin, Director of Human Resources
Ms. Heather Valcanas, Director of Adult and Transitional Services (July-March)
Mr. Matthew Gentile, Assistant Director of DDS & Transitional Services
Ms. Jessica Scalzi, Lead Nurse

DESE Program Staff:

Ms. Heather MacKay, Principal, Valley Elementary School
Ms. Jennifer Bergeron, Principal, Valley Elementary School
Ms. Nicole Noska, Principal, Valley Transitional Middle and High School – Transitional
Ms. Julie Fielding Principal, Valley Transitional Middle and High School – Alternative



Programs and Services Provided

The Collaborative offers the following types of programs and services, which complement and augment the educational programs and services of the member districts in a cost-effective manner.

- Day school placements and other programs and services, including educational, therapeutic, transitional, and occupational programs and services for students and individuals with disabilities.
- Professional Development programs for general and special educators.
- Other appropriate services and programs as may be established and approved by the Board of Directors of the Collaborative.

The programs offered to students continue to support their academic, transitional, emotional, and behavioral progress. Our K-Age 22 programs run September through June and offer additional summer programming. Valley's adult programs operate year round. In addition, the Collaborative feels it is important for our students to have state-of-the-art adaptive technology that enables them to fully engage in the curriculum. To support the mission, the Collaborative continues to upgrade its technology in all schools. The Collaborative is committed to offering high quality programs in a fiscally responsible manner. A student-focused budget with a mission to improve student outcomes is always more cost-effective than a budget disconnected from the mission.

2021-2022 Average Number of Students

Valley Collaborative served 366 students (K-Age22) during the 2021-2022 school year.

Program Offerings Overview

K-12 Programs:

Valley Elementary School
Valley Middle School
Valley Transitional High School

Adult Programs:

Valley's Today-and-Tomorrow Program
Valley's Massachusetts Rehabilitation Commission Funded Programs
Job Development

Valley Elementary School

135 Coburn Road, Tyngsborough, MA

Our Goal

Valley Elementary School's goal is to provide a school experience for every child.

The Elementary program prides itself on providing an enriched school experience while supporting our students with the tailored therapeutic environment they require. All students have access to writing, reading, language arts, math, science and social studies instruction along with social and life skills

programming. Students access this curriculum throughout the school day via multi-modal approach. Our program is rich in trained professionals, supports, and technology specific to our population. Students participate in Physical Education, Art Education, and Music Therapy throughout the school week.

Our community engages in school-wide events according to monthly themes. Students help to plan and participate in our annual Science Fair, Thanksgiving Dinner, Halloween Dance, Holiday Fair, etc. One student is awarded “Student of the Month” each month. Community outings are common for all programs and allow students to generalize their skills to other settings. Our classrooms are equipped with technology such as smart boards, iPads, and chrome books to engage and enhance our curricula. The elementary school supports a greenhouse where students learn about gardening, the compost and can sampling herbs and vegetables after growing. In addition, we have a STEM lab that gives students a virtual reality learning experience using our zSpace desktops and V-R goggles along with educational content using our LEGO kits, Dash and Dot Robots and 3D printer.

Social Pragmatic classrooms take an ABA approach designed to meet the needs of students diagnosed with Autism, as well as students with pragmatic, sensory or behavioral needs. We use a team approach to provide each student with individualized behavior and academic supports.

Emotional Behavior classrooms provide a therapeutic environment for students who have emotional, behavioral or social adjustment difficulties that may limit their ability to make progress in a traditional school setting. Through a trauma informed lens, the classrooms use positive behavior support and collaborative problem solving to help students focus on school, develop relationships and build self-esteem. Our tailored approach and expert team ensure that every student has an individualized behavior and academic plan.

Our program has a wealth of therapists to assist our students and train our staff in the most current research-based intervention strategies. Our integrated therapy approach provides Board Certified Behavior Analysts, Speech/Language Pathologists, Occupational Therapists, Physical Therapists and Social Workers that work with the classroom staff to ensure the child’s range of needs are met. We also encourage families to participate in the school experience. Family events, volunteer opportunities and our Parent Advisory Group all provide a much-needed connection.

Valley Middle School

40 Linnell Circle, Billerica, MA

Our Goal

Valley Middle School’s goal is to prepare students for successful adult living.

The Valley Middle School provides a supportive, therapeutic environment, tailored to meet students’ individual learning needs. Our school is staffed by trained professionals who help students discover their strengths, interests and abilities. Small class sizes, individual instruction and classroom technology keep students motivated and engaged. In addition to a rich curriculum, students also have access to programs, including:

- social skills group

- life skills training
- art education
- music therapy
- electives, including band, cooking, school spirit, creative arts, health and wellness
- community based activities
- field trips
- experiential physical education

Emotional Behavioral (EB) classrooms provide a therapeutic setting for students who have emotional, behavioral or social adjustment difficulties that may have kept them from making progress in a traditional school setting. EB classrooms are appropriate for students with a range of cognitive abilities or learning disabilities, as well as those with executive functioning or behavior challenges.

Autism Spectrum Disorder (ASD) classrooms provide services designed to meet the needs of students diagnosed with autism, as well as students with pragmatic, sensory or behavioral needs. The classrooms provide consistency, positive reinforcement and individual behavior support plans, as needed.

The Interim Alternative Education Setting (IAES)/ Extended Evaluations allow our skilled professionals to assess what kinds of supports and therapeutic approaches will best help students meet their educational goals.

Valley Transitional High School

40 Linnell Circle, Billerica, MA

Our Goal

Valley Transitional High School's goal is to prepare students to become successful members of their communities.

Valley Transitional High School provides a supportive, therapeutic environment that assists students with their social, emotional, behavioral and academic needs. We seek to instill our students with the confidence and ability to successfully earn a high school diploma, transition into the workplace or a post-graduate program.

Valley Transitional High School classrooms provide a therapeutic setting for students who have social, emotional, behavioral or academic needs. Students develop transitional skills so that they are prepared to successfully enter college and the working world after graduating from high school. We offer a trusting, structured and safe environment that allows students to give and receive productive feedback from their peers, and encourages them to make positive choices. Students attend small classes taught by trained educators who use individualized instruction, state-of-the-art technology and innovative instructional strategies to engage and motivate them.

The Intensive Special Needs classroom provides comprehensive services to students with moderate to intensive physical, developmental and intellectual impairments. Our specialized instruction and expert staff

is able to meet the needs of individual students. The curriculum focuses on academics, vocational, social and life skills.

Vocational Opportunities

Students have a variety of opportunities to develop vocational skills, including: culinary, multimedia, woodshop, and landscaping. We collaborate with local businesses and community groups to offer students the knowledge and work experience they will need for employment. Seniors can also participate in internships in the surrounding community. Community service opportunities allow students to develop a positive self-identity through volunteering.

Additional Programming

The Experiential Physical Education program gives students the opportunity to take positive risks and challenge themselves in order to develop leadership and problem-solving abilities, along with communication skills. Community service opportunities allow students to develop a positive self-identity through volunteering. Eligible students who are on track to graduate and in solid academic standing may also participate in dual enrollment and work study programs.

Contract Services

Valley Collaborative provides a contract service to those districts in need. A contract service is a service that a district needs in their own district and is not provided to a student enrolled in a Valley Collaborative program and can include but is not limited to:

- Therapy (Speech, Occupational & Physical)
- Reading Specialist
- Transition Specialist
- Social Work
- ABA Therapist
- Board Certified Behavior Analyst
- Tutoring
- One-on-one Transitional Aide
- One-on-one Behavioral Aide
- One-on-one Nurse
- Restraint Training

A Valley Collaborative Member or Non-Member District may also contract with Valley Collaborative for an assessment for a non-valley student. The contract services assessments available to districts include:

- Speech Language Evaluation
- Occupational Therapy Evaluation
- Sensory Integration & Praxis Test – 17 subtests
- Physical Therapy Evaluation
- Functional Behavioral Assessment
- Functional Vocational Evaluation(V5)
 - Sensory-motor · Strengths
 - Gross & Fine Motor · Preferences and Interests
 - Coping/Adaptive Behavior · Work adjustment and Job readiness

- Autonomous Living
- Learning Style
- Student Observation
- Transition Assessment (V10)
- V5 and:
 - Adaptive Living · Transition
 - Self–Determination · Social
 - Employability · Person-Centered Planning
- Observational Assessment
- Cognitive/Intelligence Testing

Adult Services

25 Linnell Circle, Billerica, MA

Our Goal

Valley Collaborative’s Adult Services goal is to support our adult community in reaching lifelong goals and maximum independence by promoting self-determination. Self-Determination is having control in your life to make choices that influence your future based on preferences, beliefs and abilities.

Our Adult Services Department focuses on building a community that promotes individuality, independence and community inclusion. Valley Collaborative believes in a person-centered approach that provides supports that help our community of adults realize maximum independence, rewarding experiences, diverse vocational opportunities and continual growth. Our programs are funded by the Executive Office of Health and Human Services (EOHHS) and the Social Security Administration (SSA) with oversight from The Department of Developmental Services (DDS), The Massachusetts Rehabilitation Commission (MRC) and The Massachusetts Commission for the Blind (MCB).

Valley’s Today & Tomorrow Program - Day Services

Valley’s Today & Tomorrow program provides full-time programming for individuals to support them in identifying and attaining their specific life goals. This is done through community integration and a robust curriculum that focuses on independent living, social skills, and vocational exploration and training. Individuals choose their own schedules and participate in a wide variety of activities at more than 30 community locations, as well as on-site at Valley. Individuals are the drivers of their programming and continually suggest new activities and locations for services which are incorporated into the service delivery model.

Valley’s Evaluation & Training and Supported Employment Programs

Valley’s Evaluation & Training and Supported Employment Programs assist individuals in preparing for and obtaining competitive employment. Services can be short or long-term, and are provided based on the needs and availability of each person. Valley Collaborative’s job development team has over 100 years combined experience in building community business partnerships and working to assist people with a wide range of disabilities prepare for, find and secure competitive employment.

Valley's Self-Directed Services

Valley's Self-Directed Services provide individuals and their families' maximum flexibility in what services they receive and how. Services are developed in conjunction with the individuals, families, Valley staff, state agency staff and other service providers and include:

- Agency with Choice - Enables individuals and families to share responsibilities with a Valley. The individual/family is responsible for selecting their employees, setting work hours, and managing the day to day service delivery. Evaluation and training is shared between the Valley and the individual. Valley employs and pays the worker, assumes payroll, withholdings, taxes and workers compensation responsibilities. To participate in AWC supports, an individual needs to be eligible for DDS supports and willing and able to work cooperatively with Valley while being responsible for the day-to-day management and supervision of employees.
- The DESE/DDS Program - Designed to provide in-home services/wrap-around supports to school-age participants to help prevent a more restrictive educational or out-of-home residential placement. The parent/guardian of the participant becomes an active participant in the program. This includes collaborating on the development of the participant's DESE/DDS Support Plan (DDSP) to help establish the current set of goals for the participant based on his/her needs. Families also help to determine how best to reach these goals with the help of the Valley in-home and community staff. The parent/guardian also plays a significant role in helping Valley determine how best to utilize the funds within the allowable guidelines.

Therapeutic Services

Most of Valley's students receive one or more therapeutic services.

Occupational Therapy, Speech Language Therapy, Physical Therapy, and Behavioral Analysis

The therapist(s) role in the Collaborative is to provide services to students through an integrated therapy model, which research supports as the most effective manner to provide services. Team collaboration is at the heart of the integrated therapy model. The team works together for the functional independence and success of the students. The team arrives at a shared set of goals for the students and implementation occurs across the routines of the day.

Using this model, therapists work with students within the classroom environment and during naturally occurring routines and activities. This helps reduce the student's need to generalize skills from a clinical or "pull out" model to realistic situations that occur with the classroom and school environments. It also increases opportunities for peer modeling and frequent practice of targeted objectives. Various therapists may also be in the classroom for the same block of time to "co- treat" or implement strategies that draw on their combined expertise.

This model also includes consultation, program monitoring, and staff training. Therapists train teaching staff to extend therapeutic interventions into classroom activities and other ongoing activities that occur throughout the student's day. The therapists determine recommendations for service delivery, develop IEP goals and benchmarks specific to discipline, actively engage members of the multidisciplinary team to best

meet student's needs, consult with staff and other professionals to ensure generalization of newly learned skills, and implement staff training and parent education.

Areas of Assessment and Treatment

Occupational Therapy:

- Handwriting skills and keyboarding
- Fine motor skills
- Activities of daily living(ADL's)
- Visual motor skills
- Visual perceptual skills
- Motor planning skills
- Sensory processing skills
- Upper extremity function
- Environmental modification
 - Upper extremity coordination
 - Sensory integration assessments
 - Life skills

Speech Language Pathology:

- Pragmatics
- Speech sound production
- Resonance
- Phonology
- AAC
- Swallowing/feeding
- Voice
- Fluency
- Expressive and receptive language
- Cognition and executive functions
- Syntax and grammar
- Pro-social skills

Physical Therapy:

- Functional mobility
- Positioning to promote optimal participation
- Gross motor skills and motor planning
- Equipment assessment (wheelchairs, walkers, seating)
- Tonal inhibition and facilitation
- Posture
- Range of motion and strengthening
- Vendor consultation
- Orthotics management
- Core stability and strengthening

Board Certified Behavioral Analysis:

- Behavior support plans

- Functions of behavior
- Staff training
- Reinforce and motivation assessment
- Representation of graphs for data
- Data collection systems
- Discrete trial planning
- Parent training
- Skills assessments

Counseling and Social Work

A supportive therapeutic environment is an essential component of the student's overall experience at Valley. Valley's clinical component addresses student's social, emotional, developmental, and behavioral needs. The clinical team, in conjunction with the teaching staff, BCBAs, speech and language therapists, occupational therapists, and physical therapists, identifies student's individual needs and addresses them through various approaches. Such approaches facilitate the development of self-awareness with the main objective to promote overall wellness and assist each student in reaching his/her full potential. The clinical team provides individual, group, and milieu counseling as well as crisis intervention and consultation to staff. They also provide a variety of assessments and participate in IEP meetings. Regular communication with family and outside providers and specialists is essential to maximizing a student's complete educational and therapeutic experience. Valley's clinical team is comprised of Massachusetts DESE certified school social workers, and guidance counselors. Social workers also hold a Massachusetts state board license as either an LICSW or LMHC.

Medical Services

The nursing staff at Valley functions as part of the multidisciplinary team. It is our goal to promote the health, safety, and well-being of our students, as well as intervene with actual and potential health and behavioral health issues. In addition, when necessary, we manage complex medical issues and provide case management services. Our nurses network with others to build student and family capacity for adaptation, optimal independence, self-advocacy, and to build community alliances. We are a multifaceted group that provides professional nursing services to students to enhance their well-being, academic success, and lifelong achievement. Along with the educational advancement of our students, the nurses at Valley are active in their own professional growth and are actively engaged with other professional organizations.

All Collaborative students benefit from medical assistance as required and/or stipulated by his/her IEP. The Collaborative is in compliance with Massachusetts DESE and Massachusetts Department of Public Health regulations and employed a full-time Registered Lead Nurse. In addition, the Collaborative employs a nurse at each site and has a float nurse.

Assessment Services

Interim-Alternative Education Setting/ Extended Evaluations

Valley's Interim-Alternative Education Setting/ Extended Evaluations assist in determining interventions that will aid students with increasing his/her ability to perform successfully within an educational setting.

The program also addresses the therapeutic needs of each student. Psychosocial needs are accessed via formal and informal assessments, while utilizing a holistic approach.

At, or before, the end of 45 days, a written report is presented at a team meeting where intervention strategies are discussed, as well as descriptions of the type of educational setting that will best meet the student's needs.

Augmented and Alternative Communication Services and Evaluations

Our Goal-to provide expert AAC evaluation and support for students, parents and staff in order to facilitate student communication. Augmentative and alternative communication (AAC) includes all forms of communication (other than oral speech) that are used to express thoughts, needs, wants, and ideas. Valley Collaborative offers speech- language pathology services specializing in augmentative and alternative communication (AAC) and language development for AAC users.

Valley Collaborative provides comprehensive AAC evaluations at competitive rates. Our expert team can determine student needs and determine a plan of action, while providing ongoing support for students and staff beyond the evaluation period. AAC evaluations, direct therapy and consultative services are provided by certified speech-language pathologists. Valley offers:

- 30 day evaluation period
- Skilled observation, assessment and recommendations
- Implementation
- AAC device trials
- Technology assistance
- Ongoing support and consultation

Transition Services and Assessments

Valley's goal with transition services is to help students make successful transitions to life beyond school. Students who are transitioning from school to employment and community benefit from a variety of resources and support. Valley Collaborative provides a comprehensive approach to helping students, families, and school districts navigate the transition process. Valley's transition services are age appropriate and highly individualized. Our transition specialist is a DESE licensed special educator who specializes in transition services and has an extensive background in vocational services, serving both students and adults. Valley has developed transition tools, assessments, and individualized programming for students with a wide range of strengths and needs.

Transitioning to Employment and Life after School

Valley's expert transition specialist helps students transition to the fullest life possible after school, including appropriate employment and/or independent living. Our transition assessment process begins by assessing student readiness for the workplace and/or pre-vocational training including interests, skills, intellectual functioning, sensory and motor abilities, coping/adaptive behavior, employability and "soft skills." Valley also offers planning assistance for students transitioning to post-secondary education. Valley's transition specialist assesses the attributes and "soft skills" associated with self-determination including personal strengths, work preferences, self-advocacy, self-regulation, autonomy and psychological

empowerment. For students moving towards independent living, Valley provides assessments of transition skills, adaptive living skills, social skills and leisure skills.

Assisting Districts

Valley's expert staff and extensive resources enable us to provide districts with an ongoing, tiered set of transition services. Valley's transition services streamline the transition process and assist districts in meeting the guidelines set forth in IDEA indicator 13 of the U.S. Department of Education, Office of Special Education programs State Performance Plan Indicators. In addition to assessments, Valley offers consultation, professional development, job coaching, and job development to districts.

Vocational Services

Our goal is to provide an environment that gives students and adults the opportunity and support to explore and reach their academic and vocational potential. Opportunities we provide are mail delivery services, assembly tasks, janitorial services, recycling, shipping and receiving, culinary arts, multimedia shop, and landscaping. Valley's vocational services offer staffing solutions by providing interns, volunteer services, supervised job crews, qualified personnel, job coaching supports, and customized services to fit the needs of businesses and employers alike.

Professional Development

The Valley Collaborative offers a limited array of professional development. The professional development is primarily directed to our staff and in some instances includes staff from its member districts. The exception is professional development in the areas of restraint training and workshops provided through the Northeast Professional Educator Network (NPEN).

Valley Collaborative is a proud member district of the Northeast Professional Educator Network (NPEN). This network is comprised of approximately twenty-five school districts in the Merrimack Valley whose joint vision is to "maximize regional resources to provide high-quality, inter-district professional development, fostering a culture of collaborative inquiring in order to improve student learning." NPEN was unable to provide professional development in FY '22 due to the ongoing global pandemic.

Cooperative Purchasing

The Collaborative does not offer cooperative purchasing but participates in it.

Joint Transportation

The Collaborative does not offer joint transportation but participates in it.

Medicaid Billing

The Collaborative does not offer Medicaid billing services but participates in it.

Outreach and Partnerships

Member School Districts

Communication and outreach are key to our success. An annual member district meeting is held in January to review the Annual Report and the Collaborative financials. Member district Superintendents, School Committee Members, Business Directors, Special Education Directors, and members of the public are invited to attend. In addition, the Collaborative hosts periodically a meeting for all its member districts' Special Education Directors. Each meeting has a working agenda of issues we need to collaborate on to better serve our students. Furthermore, the Executive Director meets with member districts and School Committee members to inform them of the progress we are making at the Collaborative, to present financial updates and to obtain various approvals when necessary. Valley was unable to meet in person in FY '22 due to the ongoing global pandemic and therefore meetings were held via video conference.

Community-at-large Outreach

The Collaborative also publishes a quarterly Newsletter which is sent to more than 500 families and state officials, agencies, and businesses. In addition, each school publishes its own Newsletter. If you would like to be on the distribution list, please contact us.

The Collaborative has a newly developed website: www.valleycollaborative.org

The Valley Collaborative participates in the Massachusetts Dual Enrollment Program and enrolls students with disabilities at the Middlesex Community College. The Dual Enrollment Program at the Collaborative serves students with moderate and severe disabilities, and supports college and career success through the provision of a free and appropriate public education in the least restrictive environment. The program:

- Promotes and enhances academic, social, functional, integrated competitive employment skills, and other transition-related goals;
- Provides opportunities for the inclusion of students with moderate and severe disabilities in credit and non-credit courses alongside their non-disabled peers;
- Promotes participation in the student life of the college community.

Cost-Effectiveness of Programs and Services

Please note, Valley Collaborative prides itself in providing its member districts with superb special education programming for its out-of-district students as well as limited contracted services support.

Tuition rates have been compared based on program descriptions. Given the differences among programs and services, a proper cost effective analysis is almost impossible without requiring full disclosure of student to staff ratio per program and transparency on the therapies included in the cost of a tuition rate. I would be happy to discuss how a cost effective analysis could be more meaningful and accurate if the proper data points were made public.

FY '23 VALLEY MEMBER & NON-MEMBER TUITION RATES VS. PRIVATE SCHOOLS*

Valley Collaborative Program	Private Schools Average	Member District Per Diem Tuition	Member District Per Diem Savings	Member District Percent Cost Savings	Non-Member District Per Diem Tuition	Non-Member District Per Diem Savings	Non-Member District Percent Cost Savings
Intensive Special Needs (ISN)	\$566.93	\$294.00	\$272.93	48%	\$367.50	\$199.43	35%
Elementary School - Emotional Behavioral	\$478.57	\$240.00	\$206.16	43%	\$300.00	\$178.57	37%
Elementary School - Pragmatic, Sensory, and Behavior	\$478.57	\$240.00	\$206.16	43%	\$300.00	\$178.57	37%
Middle School - Emotional Behavioral	\$445.08	\$240.00	\$188.23	42%	\$300.00	\$145.08	33%
Middle School— Pragmatic, Sensory, and Behavior	\$445.08	\$240.00	\$188.23	42%	\$300.00	\$145.08	33%
High School - School & Vocational Training	\$490.39	\$179.00	\$265.53	54%	\$223.75	\$266.64	54%
High School - School & Life Skills Training	\$487.75	\$179.00	\$271.41	56%	\$223.75	\$264.00	54%
High School & Middle School - School & Life Skills Training ISN	\$479.12	\$294.00	\$146.40	31%	\$367.50	\$111.62	23%
High School - School to Work Program		\$179.00	N/A	N/A	\$223.75	N/A	N/A
High School - Alternative Program	\$486.71	\$210.00	\$223.97	46%	\$262.50	\$224.21	46%
High School - Alternative Vocational Program		\$210.00	N/A	N/A	\$262.50	N/A	N/A

*See table on following page which list tuition rates for the ten private schools used for the “Average” calculations.

FY '23 VALLEY COLLABORTATIVE VS. PRIVATE SCHOOLS TUITION RATES

Valley Collaborative Program	Boston Higashi School	Cotting School, Inc.	Franciscan Children's Hospital	Landmark Foundation	Lighthouse School	May Institute	Nashoba Learning Group, Inc.	New England Center for Children	Seven Hills Foundation, Inc.	League School of Boston	Private Schools Average
Intensive Special Needs (ISN)			\$551.94					\$581.91			\$566.93
Elementary School - Emotional Behavioral	\$390.81	\$536.58			\$613.50	\$548.12	\$534.89		\$215.02	\$511.10	\$478.57
Elementary School - Pragmatic, Sensory, and Behavior	\$390.81	\$536.58			\$613.50	\$548.12	\$534.89		\$215.02	\$511.10	\$478.57
Middle School - Emotional Behavioral	\$390.81	\$536.58				\$548.12	\$534.89		\$215.02		\$445.08
Middle School – Pragmatic, Sensory, and Behavior	\$390.81	\$536.58				\$548.12	\$534.89		\$215.02		\$445.08
High School - School & Vocational Training		\$536.58	\$551.94		\$613.50		\$534.89		\$215.02		\$490.39
High School - School & Life Skills Training	\$390.81	\$536.58	\$551.94		\$613.50	\$548.12	\$534.89		\$215.02	\$511.10	\$487.75
High School & Middle School - School & Life Skills Training ISN	\$390.81	\$536.58	\$551.94		\$613.50		\$534.89		\$215.02	\$511.10	\$479.12
High School - School to Work Program											N/A
High School - Alternative Program				\$335.52	\$613.50					\$511.10	\$486.71
High School - Alternative Vocational Program											N/A

Valley Collaborative

Financial Statements

For the Year Ended June 30, 2022

Valley Collaborative
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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*

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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 Collaborative's internal control over financial reporting and compliance.



Certified Public Accountants

Newburyport, Massachusetts

November 17, 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**

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Liabilities			
Current Liabilities	\$ 2,043,673	\$ 3,703,018	\$ 2,280,119
Long Term Liabilities**	<u>5,328,811</u>	<u>2,489,196</u>	<u>3,054,714</u>
Total Liabilities	<u>7,372,484</u>	<u>6,192,214</u>	<u>5,334,833</u>
Deferred Inflows Related to OPEB	<u>2,508,045</u>	<u>2,544,128</u>	<u>1,235,164</u>
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	<u>7,235,795</u>	<u>7,678,271</u>	<u>8,335,554</u>
Total Net Position	<u>\$11,732,488</u>	<u>\$11,352,377</u>	<u>\$12,486,083</u>

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.

SUMMARY OF ACTIVITIES

	<u>2022</u>	<u>2021</u>	<u>2020</u>
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*	<u>1,941,085</u>	<u>2,017,101</u>	<u>1,842,248</u>
Total Expense*	<u>19,820,146</u>	<u>17,052,873</u>	<u>17,852,678</u>
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	<u>(849,716)</u>	<u>(737,163)</u>	<u>(918,812)</u>
Change in net position before credits to member districts	380,887	1,466,294	2,005,421
Credits to member districts	<u>-</u>	<u>(2,600,000)</u>	<u>(1,400,000)</u>
Change in Net Position**	<u>\$ 380,887</u>	<u>(\$1,133,706)</u>	<u>\$ 605,421</u>

* 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 LIABILITIES

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	<u>8,445,166</u>
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	<u>11,157,458</u>
Total Assets	<u>19,602,624</u>

Deferred Outflows of Resources

Deferred Outflows of Resources Related to OPEB	<u>2,010,393</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,613,017</u>

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	<u>2,043,673</u>
Non-current Liabilities	
Lease liabilities, net of current portion	3,504,347
Net OPEB liability	1,824,464
Total Non-current Liabilities	<u>5,328,811</u>
Total Liabilities	<u>7,372,484</u>

Deferred Inflows of Resources

Deferred Inflows of Resources Related to OPEB	<u>2,508,045</u>
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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	<u>11,732,488</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 21,613,017</u>

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		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
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

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
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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
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Change in net position of governmental activities	\$ 380,887
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Valley Collaborative
Statement of Fiduciary Net Position
Retirees' Health Insurance Trust Fund
June 30, 2022

Assets

Assets	
Investments	\$ 6,030,973
Total Assets	<u>\$ 6,030,973</u>

Net Position

Net Position	
Net position held in trust for retirees' health insurance	\$ 6,030,973
Total Net Position	<u>\$ 6,030,973</u>

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

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

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:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
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	<u>557,368</u>
	3,380,281
Allowance for doubtful accounts	<u>(25,467)</u>
	<u>\$ 3,354,814</u>

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:

	<u>Buildings & Improvements</u>	<u>Furniture, Equipment & Software</u>	<u>Vehicles</u>	<u>Total</u>
<u>COST</u>				
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	9,161,167	1,290,954	1,311,535	11,763,656
<u>ACCUMULATED DEPRECIATION</u>				
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	(3,088,186)	(1,109,628)	(1,007,547)	(5,205,361)
Net, June 30, 2022	<u>\$ 6,072,981</u>	<u>\$ 181,326</u>	<u>\$ 303,988</u>	<u>\$ 6,558,295</u>

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 SYSTEMSPlan 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:

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

Educational collaboratives contribute amounts equal to the normal cost of employees’ benefits participating in MSERS at a rate established by the Public Employees’ Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees’ benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. During fiscal 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:

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

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

Description

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)		<u>June 30, 2022</u>
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.]	<u>(\$ 697,681)</u>
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	<u>6,030,973</u>	<u>6,030,973</u>
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	<u>(26,124)</u>	<u>(26,124)</u>
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.]	<u>(1,694,497)</u>	<u>(1,694,497)</u>
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 § 4ENames, 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:

<u>Name</u>	<u>Title</u>	<u>Total Compensation</u>
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 - continuedTransactions 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
	<i>(Breakdown of use of 2021 surplus)</i>			
	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	<i>(total from B1:B4)</i>	\$ 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:	<u>(1,958,764)</u>
	20,943,002
FY22 depreciation on leasehold improvements:	<u>111,111</u> **
Total General Fund Expenditures per calculation above:	<u>\$21,054,113</u>

**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.

See independent auditor's report.

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

See independent auditor's report.

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:	<u>216</u>
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.

See independent auditor's report.

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.

See independent auditor's report.

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

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<u>MTRS</u>								
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%
<u>MSERS</u>								
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.

See independent auditor's report.



FRITZ DEGUGLIELMO LLC

**CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS**

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

To the Board of Directors of
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*.

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.



Certified Public Accountants

Newburyport, Massachusetts

November 17, 2022



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

Date

2021-2022 District Improvement Plan Summary

Designed to achieve the Purpose and Objectives set forth in the Collaborative Agreement

Valley Collaborative's Articles of Agreement
ARTICLE II
Mission, Objectives, Focus, and Purpose
<p>The mission of the Collaborative is to conduct educational programs and/or services for member districts in a cost-effective manner and to increase educational opportunities and to improve educational outcomes for its students. The purpose of the Collaborative is to provide high quality intensive educational, therapeutic and transitional programs and related services to individuals with disabilities referred by member districts, non-member districts and social service agencies, including both children and adults, and to provide professional development to educators. The focus of the Collaborative is the provision of special education, transitional, occupational, and therapeutic programs and services in the least restrictive environment and comprehensive professional development within the local communities of the member districts. The overall objectives of the Collaborative include improving the academic achievement and/or occupational skills of students and individuals with disabilities in the least restrictive environment through high quality programs and services; offering a variety of high-quality professional development opportunities to general and special education teachers and related service providers; and offering its programs and services in a cost-effective manner.</p>
<i>Mission</i>
To work collaboratively to create a structured learning environment that empowers individuals to lifelong learning and to navigate confidently and with optimal independence in their community.
<i>Vision</i>
Valley Collaborative partners with families, districts, and the community to provide innovative programming that empowers students and adults to discover their individual strengths, interests, and abilities. In doing so, students become responsible contributing members of society.
<i>Theory of Action</i>
<p><i>If we...</i></p> <ul style="list-style-type: none"> ● Identify students' immediate and long-term individualized goals, strengths, and needs and provide support to meet them, and... ● Build the capacity of, and invest in, our staff, and... ● Invest in community building across the Collaborative, with all stakeholder groups, <p><i>Then we will...</i></p> <ul style="list-style-type: none"> ● Increase student independence and prepare students for successful post-secondary placement and adult living ● Increase staff professional capacity and the retention of certified staff ● Improve the engagement of all stakeholders in the Collaborative community

In SY21-22, Valley Collaborative continued to implement its Bridge Plan, having postponed the development of the next multi-year district improvement plan due to the pandemic and a Coordinated Program Review. The Bridge Plan, which consists of the four initiatives below, continued to serve the collaborative well:

- 3.1 Strengthen Outreach and Two-Way Communication with Students and Families: Improve the use and effectiveness of the Aspen Family Portal
- 3.2 Ensure Valley Offers Programming that Meets Student Needs: Improve the use and effectiveness of the Referral System
- 3.3 Support Student, Family, and Staff Sense of Belonging During the Pandemic: Administer Sense of Belonging survey in winter and spring and use data to improve stakeholders' experience

- 3.4 Ensure Valley continues to be a diverse, equitable, and inclusive organization: Develop a DEI (diversity, equity, inclusion) committee and plan

Brian Mihalek and Karen Rowe, the project managers overseeing this work, have documented the progress of these initiatives in detail and once again, I applaud them for their leadership.

For SY22-23, Valley Collaborative will continue under the Bridge Plan, with a focus next year on implementing three Diversity, Equity, and Inclusion (DEI) initiatives. These strategic initiatives focus on DEI in the areas of:

1. Curriculum
2. Professional Development (based on Sense of Belonging results)
3. Human Resources

Action planning of these three initiatives will occur in the fall of 2022. I will facilitate two action planning workshops with the DEI Committee in October, where that team will build first draft actions plans. We will then host a joint meeting of the DEI Committee and Valley's Leadership Team by November, where both groups will work together to review, revise, and complete these action plans for implementation beginning that month.

At a meeting in May, the Leadership Team began the broader work of applying a DEI lens to the collaborative, reviewing Valley's foundational elements—mission, vision, and current strategic objectives. The Leadership Team used some DEI definitions provided by the DEI Committee to guide its work. The team revised these foundational elements as shown below.

Current Valley Mission

To work collaboratively to create a structured learning environment that empowers individuals to lifelong learning and to navigate confidently and with optimal independence in their community.

Revised Mission

To work collaboratively in order to create a diverse, equitable, inclusive, and responsive learning environment that recognizes individuals and empowers them to navigate confidently with optimal independence in their community and fosters lifelong learning.

Current Valley Vision

Valley Collaborative partners with families, districts, and the community to provide innovative programming that empowers students and adults to discover their individual strengths, interests, and abilities. In doing so, students become responsible contributing members of society.

Revised Vision

Valley Collaborative partners with families, districts, and the community to provide innovative programming that empowers all students and adults to discover their diverse individual strengths, interests, and abilities. In doing so, those we serve become self-actualized members of society who contribute in a responsible manner.

Current Valley Strategic Objectives

1. All students and adults will be prepared for successful adult living
2. Valley Collaborative will provide professional development to build capacity and retain high quality staff
3. Valley Collaborative will foster a sense of belonging and engagement in the Collaborative community for all stakeholders (students, adults, families, staff, districts, community partners)

Revised Strategic Objectives

1. All students and adults will be empowered to discover their individual strengths, interests and abilities to be best prepared for successful adult living.
2. Valley Collaborative will provide professional development to build capacity and retain high quality staff while fostering and promoting a diverse, equitable, and inclusive environment.
3. Valley Collaborative will foster diversity, equity and inclusivity to promote a sense of belonging and engagement for all stakeholders (students, adults, families, staff, districts, community partners).

SY22-23 promises to be an exciting one for Valley Collaborative as it further advances its DEI work and I look forward to the planning ahead with Dr. Scott and her team. Congratulations to the Valley Collaborative community for their many accomplishments this year and their ongoing commitment to continuous improvement.



Central Administration

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MEMORANDUM

To: Valley Collaborative Board of Directors
 From: Dr. Chris A. Scott, Executive Director
 Jessica Scalzi, Lead Nurse
 Date: December 14, 2022
 Re: Proposed LPN and RN Salary Scale

Currently an LPN starts at \$28.00/hour and receives the yearly COLA. There is no salary schedule. Valley currently has 2 LPNs. Lead Nurse Jessica surveyed other member districts and collaboratives. Only Chelmsford, LABBB and SEEM Collaborative have salary schedules. Below is the scale for LPN's in Chelmsford. The scale is based on 80% of the Bachelor teachers' scale. Valley proposes that we also pay our LPN's at 80% of our teachers' bachelor scale.

Valley Collaborative LPN Rate 2022	
Start Rate	\$28/hr 7.5 hr/day

Chelmsford 182 Days	
1	\$41,932
2	\$44,312
3	\$46,695
4	\$49,075
5	\$51,457
6	\$54,183
7	\$56,941
8	\$59,695

LABBB Collaborative - 182 Days	
1	\$40,418
2	\$41,751
3	\$43,110
4	\$44,511
5	\$46,219
6	\$48,117
7	\$50,142
8	\$52,638

SEEM Collaborative -210 Days	
1	\$50,106.48
2	\$53,473.50
3	\$55,399.02
4	\$56,722.16
5	\$58,738.44
6	\$61,176.90
7	\$63,699.51
8	\$66,253.74

Proposed Valley Collaborative LPN Scale 7.5 hours/day			
Step	182 Salary	212 Salary	Hourly
1	\$38,449.65	\$44,787.50	\$28.17
2	39,891.51	\$46,466.56	\$29.22
3	\$41,387.44	\$48,209.10	\$30.32
4	\$42,939.47	\$50,016.90	\$31.46
5	\$44,549.70	\$51,892.53	\$32.66
6	\$46,220.32	\$53,838.50	\$33.86
7	\$48,069.13	\$55,992.04	\$35.22
8	\$49,991.90	\$58,231.72	\$36.62
9	\$51,991.57	\$60,561.00	\$38.09
10	\$54,071.23	\$62,983.42	\$39.61
11	\$56,234.08	\$65,502.76	\$41.20
12	\$58,483.45	\$68,122.87	\$42.84
13	\$60,822.78	\$70,847.80	\$44.56

Currently Valley Collaborative has 2 RN's who are paid a starting hourly rate of \$34.00/hour. Billerica, Chelmsford, Dracut, Groton, Nashoba, Tyngsboro school districts place RN's on their bachelor's teachers scale. Valley proposes we do the same (see bachelor teachers schedule below):

Proposed Valley Collaborative RN Scale 7.5 hours/day		
Step	212 Salary	Hourly
1	\$55,983.81	\$35.21
2	\$58,083.20	\$36.53
3	\$60,261.32	\$37.90
4	\$62,521.12	\$39.32
5	\$64,865.66	\$40.80
6	\$67,298.12	\$42.33
7	\$69,990.05	\$44.02
8	\$72,789.65	\$45.78
9	\$75,701.23	\$47.61
10	\$78,729.28	\$48.52
11	\$81,878.45	\$51.50
12	\$85,153.59	\$53.56
13	\$88,559.74	\$55.70

Required Action:

Vote to approve LPN and RN Salary Scale



Central Administration

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MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Mr. James George, Accountant/Business Manager
Date: December 14, 2022
Re: FY' 24 Budget Draft Presentation/Budget Drivers

-
- Overall, operating expenses are expected to increase between FY' 23 and FY' 24 by a little over 5%. The primary drivers of these cost increases are benefit increases due to higher GIC health insurance rates, as well as increases in liability insurance, utilities and supplies due to inflation.
 - Expenses by DESE Function and DESE object have remained at the same relative percentages between FY' 23 and FY' 24 (within 2%).
 - Total expenses are up 5.66% compared to FY' 23 amended budget, not including capital expenditures.
 - Salaries increased from \$14,856,194 in the amended FY' 23 budget to \$15,605,886 in FY' 24, equating to a 5.0% increase. This increase was made up by the following:
 - COLA for all salaries on a step schedule of 3%.
 - 3.0% COLA increase for salaries not included in a salary schedule.
 - The budget assumes a 5% increase in health insurance cost for FY' 24.
 - Overall capital items decreased by \$49k, due to a decrease in technology and facilities costs but an increase in the vehicle costs for FY 24.
 - DDS revenue increased by approximately \$300,000 between FY' 23 and FY' 24.
 - FY' 24's services revenue (tuition) is projected to higher by \$870,000. This increase is based on Valley increasing our tuition rates by 5% to keep up with the increasing costs due to salary increases, insurance increases, and overall inflation of operating costs.
 - For the FY' 23 budget, we need to reclassify the Tyngsborough lease payment to be reflected in the operating expenses to align with how the auditor believes we should handle the expense. This has

been reflected on the budget summary to be consistent between FY'23 and FY' 24. Valley will vote to formalize this change in the January board meeting.

Required Action:

Vote to approve the FY'24 Budget will take place at the January 12, 2023 Board Meeting

Attachments:

FY'24 Budget Draft Presentation



VALLEY COLLABORATIVE

FY2024 BUDGET SUMMARY Proposed Budget

	FY2021		FY2022		FY2023	FY 2023 Amendment	FY 2024		
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Request</u>	<u>Request</u>	<u>vs. 2023</u>	<u>% change</u>
REVENUES									
Services	15,841,829	16,133,113	17,268,440	16,465,146	17,200,000	17,400,000	18,270,000	\$ 870,000	
State contracts	2,100,000	2,702,043	2,521,300	3,507,520	3,100,000	3,800,000	4,100,000	300,000	
Other	200,000	414,507	300,800	1,024,147	400,000	600,000	650,000	50,000	
Interest	20,000	1,950	29,000	3,424	1,000	1,000	5,000	4,000	
Total Revenues	\$ 18,161,829	\$ 19,251,613	\$ 20,119,540	21,000,237	\$ 20,701,000	\$ 21,801,000	\$ 23,025,000	\$ 1,224,000	5.61%
EXPENSES									
Salaries	11,619,363	11,559,371	13,181,932	13,875,948	13,960,150	14,856,194	15,605,886	749,692	
Operating Expenses	5,595,412	5,489,251	5,971,980	5,873,491	5,650,756	6,202,515	6,644,655	442,140	
Total Expenses	\$ 17,214,775	\$ 17,048,622	\$ 19,153,912	19,749,439	\$ 19,610,906	\$ 21,058,709	\$ 22,250,541	\$ 1,191,832	5.66%
Revenues over/(under) Expenses	947,054	2,202,991	965,628	1,250,798	1,090,094	742,291	774,459	(315,635)	
NON-OPERATING									
Capital	675,000	241,871	725,000	-	830,000	624,050	575,000	(49,050)	-7.86%
Board Capital Reserve			-		-	-	-	-	
BUDGETED SURPLUS/(SHORTFALL)	\$ 272,054	\$ 1,961,120	\$ 240,628	\$ 1,250,798	\$ 260,094	\$ 118,241	\$ 199,459	(60,635)	

VALLEY COLLABORATIVE

Fiscal Year 2024 Operating Budget, by Program

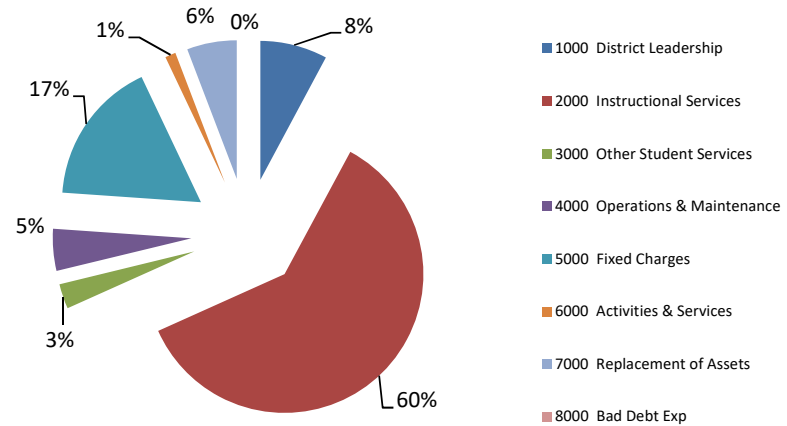
PROGRAM		PRELIMINARY BUDGET				Net Fav/(Unfav)
		SALARIES	EXPENSES	OTHER	REVENUE	
ADMINISTRATION:						
100	CENTRAL ACTIVITIES	2,036,337	2,200,129	(4,231,466)	5,000	-
POST-SECONDARY:						
101	MRC - EVALUATION & TRAINING	166,053	32,875	46,733	300,000	54,338
102	MRC - SUPPORTED WORK	104,685	15,169	28,157	150,000	1,990
500	DDS - OVER 22	2,101,216	689,438	655,595	4,100,000	653,751
HIGH SCHOOL:						
200	SCHOOL AND VOCATIONAL TRAINING	3,051,038	1,334,290	1,030,224	6,063,038	647,486
400	HIGH SCHOOL ALTERNATIVE	1,533,642	617,047	505,251	3,807,936	1,151,996
MIDDLE SCHOOL:						
712	MIDDLE SCHOOL EBS	797,202	352,133	270,008	1,694,618	275,275
711	MIDDLE SCHOOL ASD	685,396	163,903	199,522	1,061,858	13,037
ELEMENTARY SCHOOL:						
660	EBS & BEHAVIORAL	3,136,844	1,176,193	1,013,241	5,842,550	516,273
662	PDD & BEHAVIORAL	0	0	-	0	-
OTHER SERVICES:						
450	CTR FOR ASSESSMENTS & SERVICES	2,031,851	14,500	480,739	0	(2,527,090)
	CAPITAL PLAN			575,000		(575,000)
TOTALS		15,644,264	6,606,277	575,000	23,025,000	199,459

VALLEY COLLABORATIVE

Preliminary FY2024 Budget

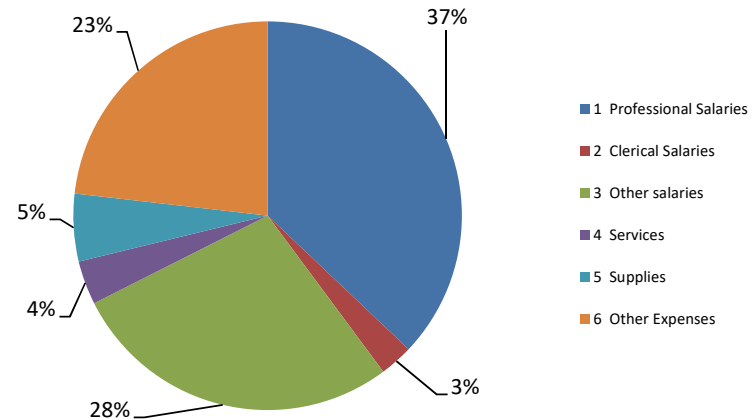
DESE FUNCTION:

1000 District Leadership	1,789,603
2000 Instructional Services	13,796,385
3000 Other Student Services	666,985
4000 Operations & Maintenance	1,116,261
5000 Fixed Charges	3,847,217
6000 Activities & Services	283,090
7000 Replacement of Assets	1,326,000
8000 Bad Debt Exp	0
	<hr/>
	22,825,541



DESE OBJECT:

1 Professional Salaries	8,457,846
2 Clerical Salaries	638,579
3 Other salaries	6,324,593
4 Services	833,650
5 Supplies	1,280,096
6 Other Expenses	5,290,777
	<hr/>
	22,825,541

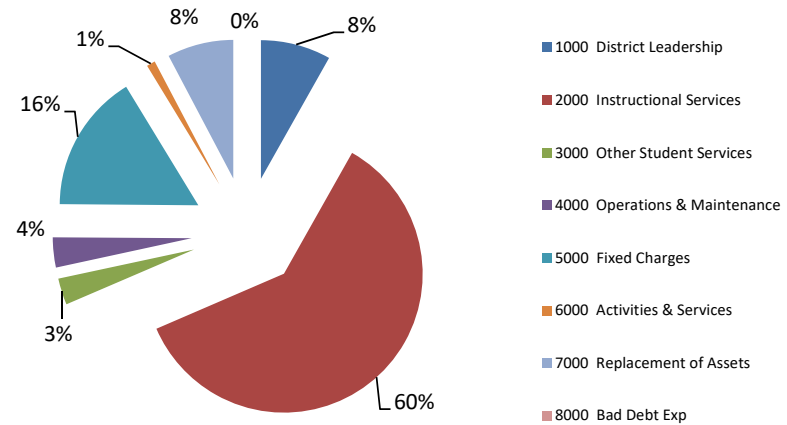


VALLEY COLLABORATIVE

Preliminary FY2023 Budget

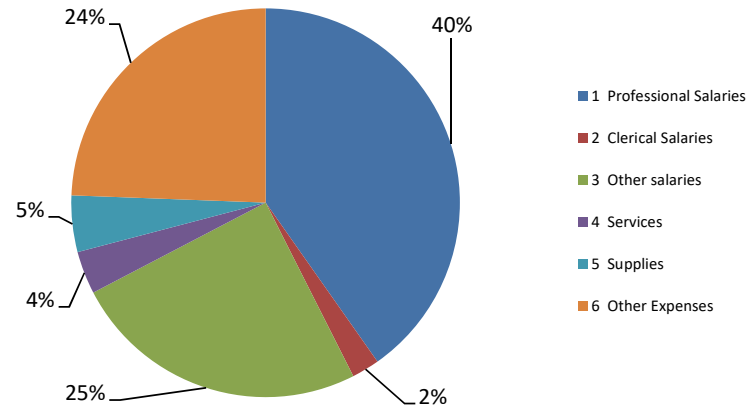
DESE FUNCTION:

1000 District Leadership	1,672,090
2000 Instructional Services	12,336,918
3000 Other Student Services	629,672
4000 Operations & Maintenance	713,542
5000 Fixed Charges	3,308,006
6000 Activities & Services	199,679
7000 Replacement of Assets	1,581,000
8000 Bad Debt Exp	0
	<hr/>
	20,440,906



DESE OBJECT:

1 Professional Salaries	8,222,428
2 Clerical Salaries	473,190
3 Other salaries	5,071,196
4 Services	727,200
5 Supplies	961,886
6 Other Expenses	4,985,006
	<hr/>
	20,440,906





VALLEY COLLABORATIVE
Recommended Capital Plan
FY2024-2028

	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Budget	Five-Year Plan					5-year TOTALS
					FY2024	FY2025	FY2026	FY2027	FY2028	
FACILITIES ACQUISITION										-
FACILITIES IMPROVEMENTS	1,154,778	129,459	234,000	214,050	125,000	125,000	125,000	125,000	125,000	625,000
SITE IMPROVEMENTS	-	-	-							-
LEASEHOLD IMPROVEMENTS	-	-	-							-
VEHICLES	142,751	67,871	83,340	160,000	250,000	250,000	250,000	250,000	250,000	1,250,000
TECHNOLOGY PLAN	273,685	331,899	119,725	200,000	150,000	150,000	150,000	150,000	150,000	750,000
FURNISHINGS & EQUIPMENT	32,897	32,297	16,588	50,000	50,000	50,000	50,000	50,000	50,000	250,000
TOTALS	\$ 1,604,111	\$ 561,526	\$ 453,653	\$ 624,050	\$ 575,000	\$ 575,000	\$ 575,000	\$ 575,000	\$ 575,000	\$ 2,875,000



Central Administration

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

MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Matthew Gentile, Director of DDS Services
Date: December 14, 2022
Re: Executive Office of Health & Human Services (EOHHS), Department of Developmental Services (DDS), Office of Quality Enhancement (QUEST) Audit

In early January, Valley Collaborative's Today and Tomorrow Program is scheduled for a programmatic audit conducted by the Office of Quality Enhancement (OQE) through the Department of Developmental Services (DDS). This audit, or survey, takes place once every two years; although this current timeline has been prolonged by the COVID-19 pandemic. During this survey, OQE will use a set of Licensure and Certification indicators to determine how appropriately and effectively the Today and Tomorrow program operates, and to ensure the program is meeting the needs of the individuals we serve while respecting their human rights and individuality. These indicators range from the water temperature in the building to the specific work opportunities offered to each individual. The surveyors will use individual interviews, staff interviews, specific artifacts, and observation to determine if Valley is aptly meeting the specifications of the 155 total indicators. This programmatic audit will serve as a measuring stick for the Today and Tomorrow Program, and will highlight any potential areas of improvement. Valley welcomes the OQE audit as a tool to ensure we are providing our individuals with the highest quality of programming.

Required Action:

None

Attachment:

QUEST 45 Day Letter

The Commonwealth of Massachusetts
Executive Office of Health & Human Services
Department of Developmental Services
Office of Quality Enhancement

450 Maple Street
Danvers, MA 01923
(857) 208-2974

Charles D. Baker
Governor

Karyn E. Polito
Lieutenant Governor

Marylou Sudders
Secretary

Jane F. Ryder
Commissioner

November 18, 2022

Valley Collaborative
40 Linnell Circle
Billerica, MASSACHUSETTS 01821

Dear Dr. Chris Scott:

This letter is to inform you that the Office of Quality Management, Office of Quality Enhancement, will be conducting its Licensure and Certification review of your agency. The anticipated dates for the start of the survey are:

Administrative Review Start Date	01/12/2023 10:00AM
Survey Anticipated End Date	01/18/2023
Service Enhancement Meeting	01/31/2023

Cheryl Dolan, Team Leader for the survey, will be contacting you shortly to discuss the details of the upcoming survey. Attached are the names of members of your survey team and the scope of the survey. You have one week in which to request a change in the team composition if you believe that a conflict of interest exists. The number of locations to be visited and the number of individual audits to be conducted is listed by service type. We will be notifying you of the specific locations to be visited at the Administrative Review. In addition, please have information available for any locations in which a Section 8 Site Inspection has been done; if that location is selected for review, a partial review will be conducted in lieu of a full site review.

Just as a reminder, all Waiver Petitions that require approval by the Office of Quality Management, Office of Quality Enhancement, must be ready for submission by the beginning of the survey. The team will review new waivers and waivers up for renewal as a part of the survey process.

We will be relying on you to assist us to obtain the information necessary to efficiently determine your success in meeting the licensure and certification indicators. In preparation for the Administrative Review, we would welcome the participation of key personnel other than yourself whom you feel would be beneficial to speak with the first day. The following information has proven useful in the past, and therefore, we would appreciate it if you could make both relevant personnel and these items available to the survey team for the Administrative Review, and as needed throughout the survey.

Thank you for your cooperation.

Sincerely,
Michelle Stomboly-Lorenzo, Regional Quality Enhancement Director - North East

CC:	Kelly Lawless, Regional Director - North East
	Thomas L. Marshall, Area Director-Lowell, LynnLee Jordan , Area Director-Central Middlesex

The Team planned for the audit is:

Team Leader: Cheryl Dolan

Surveyor Names:

John Downing
Cheryl Dolan

The number of locations and individual audits are as follows:

Type of Service	# Of Locations	# of Individual Audits	Licensure Scope	Certification Scope
Community Based Day Services	1	9 (9)	Full Review	Full Review
Employment Support Services	2	11 (11)	Full Review	Full Review
Planning and Quality Management	N/A	N/A	N/A	Full Review

Attachment A- Information request for submission to OQE within 30 days (e.g. two weeks prior to the start date):

1. Please provide a brief overview of your current organization such as by providing your most recent organizational chart as a reference.
2. Please make the applicable personnel available to speak with us on the following topics at the Administrative Review:
 - Quality Assurance
 - Investigations
 - Human Rights
 - Training and Workforce
 - Planning
 - Health Care
 - Environmental Safety
 - Financial Oversight
 - Assistive Technology and Supports
3. Please provide staff lists/ staff rosters and centralized training grid relative to all employees:
 - ☐ New hires within the past year – including staff name, position, job title, and start date
 - ☐ All employees whose credentials/ license are a requirement of the function/ position – including staff name, applicable license type, and position
 - ☐ All employees – including relief, remote monitoring staff, and home care providers. Please supply staff name, position, job title, work location, shift and whether the employee has a specific role e.g. designated Human Rights Officer, Formal Fire Safety Officer.

Attachment B- Administrative Review items

Materials related to Investigations, decisions, and actions:

- Decision and Action letters
- Complaints
- Documentation relative to specific immediate and corrective actions

Materials related to Human Rights:

- Human Rights Committee membership list and roles
- Human Rights Committee meeting minutes since the last survey (including attendance)
- Human Rights Committee By-Laws
- List of HRC Officers
- Peer Review Composition and minutes, where applicable (if a Provider PRC)
- Guardian human rights training and grievance information if present
- Individual human rights training and grievance information if present
- Attestation with roster of individuals to ensure lease Agreements are in place for each home/individual (for 24/7 services)

Materials related to staff recruitment, retention, and training:

- New hire recruitment, screening and orientation procedures
- Orientation materials for new staff
- Job descriptions for essential personnel including direct support staff, and service managers.
- Information on new hires. We will be comparing the qualifications for a sample of positions (e.g. as referenced in job descriptions) to the new hire's resume/ application for employment.
- Information on which positions require applicable licensure or certification. We will check to ensure that employee's credentials are appropriate and current. (e.g. Nursing; Social Work; Psychology).
- A listing of staff by location with specific roles (e.g. Human Rights Officer; Formal Fire Safety Officer).
- Training tracking information for the staff list above outlining the current dates of all mandatory trainings (e.g. first aid, human rights, fire safety).
- Availability of actual training certificates or documents to validate the agency's system.
- Evaluation tracking system e.g. Evaluations –blank forms and list of employees with dates of evaluations.

- Screening attestation for ABI employees

Materials related to planning, oversight and organizational systems:

- Management reports, systems, and information pertaining to incidents
- Strategic Planning information/ Agency planning documents
- Measurements and goals for program quality for each service type
- Record of the agency's measurement of their growth and change (e.g. updates on Provider and programmatic goals)
- Any external surveys, evaluation materials, program evaluation processes and outcomes.
- Satisfaction survey instrument, how information is collected, results and how information has been used
- Examples of organizational changes that have occurred since the last survey directly linked to stakeholder input and feedback
- Internal/ Program evaluation processes, instrument, results, and utilization of information
- Annual contract reviews/ Annual report/ summary statement on goals/ initiatives that the agency has undertaken in the past year
- Policies and procedures, where relevant

Materials related to funds management when information is located at the Administrative Offices:

- Charges for care notices, calculations, entitlement award letters
- Agreements and consents, when present (e.g. for joint purchases or expenses such as vacations, cable television)
- Policies and procedures, where relevant

Materials related to systems in topics which will be validated at the locations:

- Health care information including policies, procedures, and methods to ensure the promotion of routine, acute, and specialized health care.
- Environmental safety and maintenance information such as policies, procedures
- Funds management policies and oversight procedures
- Any other systems of monitoring or support to locations.

SAMPLE INFORMATION FORWARDED TO THE PROVIDER BY OQE

PRIOR TO THE ADMINISTRATIVE REVIEW

(e.g. about one week prior to the start date)

OQE works to obtain from the Provider:

1. Confirm receipt of information requested within Attachment A.
2. Status of each service location and individual (e.g. moves; illnesses; hospitalizations)

OQE provides:

1. New hires within the past year – including staff name, position, job title, and start date. The following 10% sample of new hires has been selected. At the Administrative Review we will be comparing these staff's qualifications against the requirements for the job title.

2. All employees whose credentials / license are a requirement of the function/ position – including staff name, applicable license type, and position. The following 10% sample of licensed employees has been selected. At the Administrative Review we will be asking to see the necessary qualifications and certifications for these staff.

3. All employees – The following 10% sample of employees. At the Administrative Review we will be assessing the presence of performance evaluations, and training information for the following staff. Please make their evaluation dates and training records including documents such as certificates of training, available to us for the following trainings:

- First Aid
- CPR (one per shift)
- MAP (all administering medications)
- Human Rights Officer (one per location)
- Formal Fire Safety (one per location)
- Informal Fire Safety
- Abuse and Mistreatment
- Human Rights
- PBS Universal
- Incident Reporting
- Universal Precautions
- Transmission Prevention

4. The following Complaints will be discussed at the Administrative Review. Please be prepared to comment on what immediate actions have been taken in each of these situations.

5. The following Action Plans will be reviewed at the Administrative Review. Please be prepared to provide us with information to confirm that each of these actions has been taken.



Central Administration

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

MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Date: December 14, 2022
Re: Final FY'22 Audit completed by Fritz DeGuglielmo LLC

Please find enclosed the approved FY'22 Audit – finding free.

Required Action:

None

Attachments:

Board of Directors Letter
Financial Statements
UFR



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

November 17, 2022

To the Board of Directors of
Valley Collaborative
40 Linnell Circle
Billerica, Massachusetts 01821

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Collaborative for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 11, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Valley Collaborative are described in Note A to the financial statements. The Collaborative fully implemented the requirements of GASB 87 during fiscal year 2022, which impacts recording and reporting of Collaborative leases. We noted no transactions entered into by the Collaborative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of depreciation expense is based on guidelines established by the Commonwealth of Massachusetts for contracting purposes. Management's estimate of the post-employment health benefit obligation is based on an actuarial valuation, which included actuarial assumptions of returns on investments, inflation, and annual compensation increase rates. Management's estimate of pension on-behalf payments is based on audited plan financial statements issued by the retirement systems. Management's calculation of lease assets, liabilities, amortization and interest based on actual lease payments and a discount rate of the Collaborative's implicit borrowing rate. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 17, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, OPEB Plan – Required Supplementary Information and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Information in Documents Containing Audited Financial Statements

The Collaborative is required to file a Uniform Financial Report (UFR) annually with the Commonwealth of Massachusetts. The UFR includes the audited financial statements. We were requested to assist in completing and reconciling the supplementary schedules to the underlying accounting records used to prepare the financial statements. We also reviewed the supplementary schedules after completion, which was part of our original engagement with the Collaborative.

Restriction on Use

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

Very truly yours,


Fritz DeGuglielmo LLC

Valley Collaborative

Financial Statements

For the Year Ended June 30, 2022

Valley Collaborative
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For the Year Ended June 30, 2022

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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*

8 Essex Street • Newburyport, Massachusetts 01950 • Tel: (978) 462-2161 • Fax: (978) 462-8005

www.fd-cpa.com

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 Collaborative's internal control over financial reporting and compliance.



Certified Public Accountants

Newburyport, Massachusetts

November 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.

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

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**

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Liabilities			
Current Liabilities	\$ 2,043,673	\$ 3,703,018	\$ 2,280,119
Long Term Liabilities**	<u>5,328,811</u>	<u>2,489,196</u>	<u>3,054,714</u>
Total Liabilities	<u>7,372,484</u>	<u>6,192,214</u>	<u>5,334,833</u>
Deferred Inflows Related to OPEB	<u>2,508,045</u>	<u>2,544,128</u>	<u>1,235,164</u>
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	<u>7,235,795</u>	<u>7,678,271</u>	<u>8,335,554</u>
Total Net Position	<u>\$11,732,488</u>	<u>\$11,352,377</u>	<u>\$12,486,083</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
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*	<u>1,941,085</u>	<u>2,017,101</u>	<u>1,842,248</u>
Total Expense*	<u>19,820,146</u>	<u>17,052,873</u>	<u>17,852,678</u>
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	<u>(849,716)</u>	<u>(737,163)</u>	<u>(918,812)</u>
Change in net position before credits to member districts	380,887	1,466,294	2,005,421
Credits to member districts	<u>-</u>	<u>(2,600,000)</u>	<u>(1,400,000)</u>
Change in Net Position**	<u>\$ 380,887</u>	<u>(\$1,133,706)</u>	<u>\$ 605,421</u>

* 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.

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

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 LIABILITIES

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.

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

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	<u>8,445,166</u>
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	<u>11,157,458</u>
Total Assets	<u>19,602,624</u>

Deferred Outflows of Resources

Deferred Outflows of Resources Related to OPEB	<u>2,010,393</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,613,017</u>

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	<u>2,043,673</u>
Non-current Liabilities	
Lease liabilities, net of current portion	3,504,347
Net OPEB liability	1,824,464
Total Non-current Liabilities	<u>5,328,811</u>
Total Liabilities	<u>7,372,484</u>

Deferred Inflows of Resources

Deferred Inflows of Resources Related to OPEB	<u>2,508,045</u>
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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	<u>11,732,488</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 21,613,017</u>

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		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
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
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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)
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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
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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)
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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)
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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
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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
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Net position of governmental activities	<u>\$ 11,732,488</u>
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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
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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
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Change in net position of governmental activities	\$ 380,887
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See accompanying notes to financial statements and independent auditor's report.

Valley Collaborative
Statement of Fiduciary Net Position
Retirees' Health Insurance Trust Fund
June 30, 2022

Assets

Assets	
Investments	\$ 6,030,973
Total Assets	<u>\$ 6,030,973</u>

Net Position

Net Position	
Net position held in trust for retirees' health insurance	\$ 6,030,973
Total Net Position	<u>\$ 6,030,973</u>

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

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

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

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

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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	<u>557,368</u>
	3,380,281
Allowance for doubtful accounts	<u>(25,467)</u>
	<u>\$ 3,354,814</u>

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:

	<u>Buildings & Improvements</u>	<u>Furniture, Equipment & Software</u>	<u>Vehicles</u>	<u>Total</u>
<u>COST</u>				
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	9,161,167	1,290,954	1,311,535	11,763,656
<u>ACCUMULATED DEPRECIATION</u>				
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	(3,088,186)	(1,109,628)	(1,007,547)	(5,205,361)
Net, June 30, 2022	<u>\$ 6,072,981</u>	<u>\$ 181,326</u>	<u>\$ 303,988</u>	<u>\$ 6,558,295</u>

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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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

Contributions:

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

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

Educational collaboratives contribute amounts equal to the normal cost of employees’ benefits participating in MSERS at a rate established by the Public Employees’ Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees’ benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. During fiscal 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:

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

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

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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."

Description

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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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)		<u>June 30, 2022</u>
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.]	<u>(\$ 697,681)</u>
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%)

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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	<u>6,030,973</u>	<u>6,030,973</u>
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	<u>(26,124)</u>	<u>(26,124)</u>
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.]	<u>(1,694,497)</u>	<u>(1,694,497)</u>
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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

NOTE I – POSTEMPLOYMENT HEALTHCARE PLAN – continuedChanges 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)

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4ENames, 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:

<u>Name</u>	<u>Title</u>	<u>Total Compensation</u>
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.

Valley Collaborative
Notes to Financial Statements
June 30, 2022

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
<i>(Breakdown of use of 2021 surplus)</i>			
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	<i>(total from B1:B4)</i>	\$ 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%	

Valley Collaborative
Notes to Financial Statements
June 30, 2022

**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:	<u>(1,958,764)</u>
	20,943,002
FY22 depreciation on leasehold improvements:	<u>111,111</u> **
Total General Fund Expenditures per calculation above:	<u>\$21,054,113</u>

**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.

See independent auditor's report.

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.

See independent auditor's report.

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.

See independent auditor's report.

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

See independent auditor's report.

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:	<u>216</u>
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.

See independent auditor's report.

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.

See independent auditor's report.

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

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<u>MTRS</u>								
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.

See independent auditor's report.



FRITZ DEGUGLIELMO LLC

**CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS**

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

To the Board of Directors of
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*.

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.

A handwritten signature in black ink that reads "Fritz DeGuglielmo LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Newburyport, Massachusetts

November 17, 2022



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

Date



Central Administration

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MEMORANDUM

To: Valley Collaborative Board of Directors
From: Dr. Chris A. Scott, Executive Director
Date: December 14, 2022
Re: Communications

The following communications are attached for your review:

Community and Staff Relations

- Holiday Message from Dr. Chris Scott
- Thank you email from ACCEPT Education Collaborative
- Staff Retirement Letter

Required Action:

None

From: [Chris Scott](#)
To: [All Valley Collaborative Staff](#)
Subject: Thank You & Happy Thanksgiving
Date: Friday, November 18, 2022 9:40:00 AM
Attachments: [Memo - Longevity Payment.pdf](#)

Dear Valley Family,

The past year has been challenging. As we come out of the pandemic there is much to be grateful for. We wanted to let you know that your contributions to Valley are one of the key reasons we are still standing stronger than ever. During this holiday season, the Valley Board of Directors and our Leadership Team want to express our gratitude for your consistent efforts to ensure that our Collaborative executes excellence on a daily basis. We wish good health and fortune for you and your families in the year ahead.

In recognition of your hard work and dedication to the most vulnerable among us, I am happy to remind everyone that a longevity stipend for all staff who have been working at Valley for at least one year will be issued the first pay in December. Please see attached memo for more details.

I'm eternally grateful for your effort and commitment to our students, individuals, and our Valley family.

Wishing you and your loved ones a very Happy Thanksgiving and holiday season.

My door is always open,

-Chris

Chris A. Scott, Ph.D.
Executive Director



25 Linnell Circle
Billerica, MA 01821
978-528-7826



Central Administration

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

MEMORANDUM

To: All Valley Collaborative Staff
 From: Dr. Chris A. Scott, Executive Director
 Date: November 18, 2022
 Re: Longevity Payment

LONGEVITY PAYMENT

The Collaborative provides longevity pay to recognize and show appreciation for long-time service. Employees shall be eligible for annual longevity payments upon the completion of a fixed number of years of continuous service with the Collaborative. Longevity payments shall be paid annually to employees based on an employee's years of service on the first pay of December as outlined below.

Years of Continuous Service	Annual Longevity Payment
1-4 years	\$750
5-9 years	\$1,000
10-14 years	\$1,500
15-19 years	\$2,000
20+ years	\$2,500

Under this policy, continuous service shall mean uninterrupted employment with the Collaborative and may include years of service in different positions. Interruption of employment for the purpose of FMLA leave, parental leave, or military leave of up to five (5) years of cumulative service under the Uniform Services Employment and Reemployment Rights Act shall not be deemed an interruption in service for the purpose of calculating continuous service for longevity pay.

From: [Gina Flanagan](#)
To: [Chris Scott](#)
Cc: [Heather Mackay](#); [Nick LeClair](#); [Dianna Mullen](#); [Donna Suarez](#); [Donna Flaherty](#)
Subject: Re: [EXTERNAL] Literacy Visit
Date: Thursday, December 1, 2022 12:52:05 PM

CAUTION: This email came from someone outside Valley Collaborative. Please use caution when clicking on any links or images in this message.

On behalf of Erin, Dianna (and Donna), thank you all so much for hosting us this morning to learn more about your literacy efforts. Meghan and Amy were so kind to give up their time to share their work and give us a tour of the elementary program. We learned a great deal and were very impressed with the teaching and learning happening at Valley Collaborative.

We thank everyone for the warm welcome and hope to connect again soon. We would love to do a Zoom with Jake at the middle school sometime soon. If you are ever in Natick or Medway, we would love to host you.

Happy Holidays!
Gina

Gail J. DeGregory
199 Apache Way
Tewksbury, MA 01876
December 6, 2022

Dr. Chris A. Scott
Executive Director
Valley Collaborative
40 Linnell Circle
Billerica, MA 01821

Dear Dr. Scott:

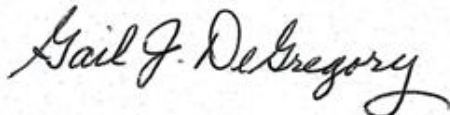
I am writing this letter to formally notify you of my intent to retire from my position as Accounting Manager effective April 21, 2023.

As I approached full retirement age, I contemplated if I was willing for this next step. My decision did not come easily, as my tenure at Valley has been the highlight of my career. Our early days were super exciting, as you and our team worked to establish the "start-up" vision Valley proudly conveys today.

I have been blessed to work alongside dedicated staff at Central Office and I am proud to have served on your Leadership team. My colleagues are the most caring and motivated professionals in their respective fields. To the Valley Collaborative Board of Directors and Stakeholders, I appreciate your understanding while considering the best for our students and adults.

I look forward to family time and travel as I shift to retirement mode. Should the opportunity present itself, I would be available to serve as a consultant during my retirement. Thank you Chris, for the opportunities you presented to me at Valley Collaborative, I wish you all the best.

Sincerely,

A handwritten signature in cursive script that reads "Gail J. DeGregory". The signature is written in dark ink and is positioned above the printed name.

Gail J. DeGregory