

Assabet Valley Collaborative

Financial Statements

For the Year Ended June 30, 2021

Assabet Valley Collaborative
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For the Year Ended June 30, 2021

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FRITZ DEGUGLIELMO LLC
*CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Assabet Valley Collaborative
Marlborough, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, OPEB Plan – Required Supplementary Information and pension schedules on pages 3-7 and 30-36 be presented to supplement the basic financial statements. Such information, although not 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Assabet Valley Collaborative's basic financial statements. The supplementary information on pages 38-41 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of Assabet 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 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 Assabet 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 Assabet Valley Collaborative's internal control over financial reporting and compliance.



Certified Public Accountants
Newburyport, Massachusetts
December 17, 2021

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2021

The following discussion and analysis of Assabet Valley Collaborative's (the Collaborative) financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2021 and summarized comparative information for 2020. Please read it in conjunction with the Collaborative's financial statements, which follow.

THE COLLABORATIVE AS A WHOLE

The Collaborative was established for the purpose of conducting educational programs and/or services, which meet low-incidence special needs children for whom its member school committees are responsible. The Collaborative also provides clinical services as requested by its member districts. Non-member school districts may contract for program and clinical services as capacity allows. The Collaborative is supported through program tuition and fees for clinical services from contracting municipalities. The Collaborative is governed by a twelve-member Board of Directors consisting of one representative from each district.

During fiscal year 2021, the Collaborative continued to lease a 17-classroom building in Marlborough where its therapeutic middle and high school program is based as part of a 25-year lease agreement with the City of Marlborough. Highlights of the agreement include: exclusive use of the facility, responsibility for building improvements, repair and landscaping. The Collaborative also owns administrative offices and professional development space located at 28 Lord Road, Marlborough, Massachusetts. Their Marlborough Evolution post graduate program and Family Success Partnership are also located there.

The Collaborative's Orchard Street Academy (OSA) - a tuition based therapeutic middle and high school program that includes an extended evaluation option (SOAR), served 74 students, equating to 57.88 full time equivalent (FTE) students. Enrollment in AVC's REACH program - a tuition-based program serving students with multiple and severe disabilities totaled 21 students equating to 16.49 FTE students. REACH program classrooms are located in member district schools. AVC's Evolution program - a tuition-based post-graduate program for students 18-22 years of age is in its 12th year of programming with locations in FY21 at Shrewsbury High School and at AVC headquarters in Marlborough. Evolution served 28 young adult students equating to 21.29 FTE students.

Fiscal year 2021 marked the ninth year of a transportation contract with VanPool Inc. Therapeutic and consultation services were provided to 11 member districts, 1 collaborative, 1 private special education school, and 1 independent school in the following disciplines: transition, child psychiatry, occupational, physical, and music therapies. The Family Success Partnership is in its 14th year of providing wrap-around and served 142 families; districts also received 17 consultations from FSP faculty. The 142 families receiving service during this fiscal year totaled 531 individuals served.

The Collaborative had a general fund balance of \$2,854,273 as of June 30, 2021.

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2021

OVERVIEW OF THE FINANCIAL REPORTS

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.

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2021

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. This report also includes other supplementary information, which provides more detail supporting the financial statements and information required by the Massachusetts Department of Elementary and Secondary Education.

GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

The following summarized Statement of Net Position is for the fiscal year 2020 with comparative information from fiscal year 2019:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current assets, i.e. cash, accounts receivable and prepaid expenses	\$ 3,517,000	\$ 4,645,000
Capital assets	1,698,000	1,093,000
Deferred outflows related to OPEB	<u>2,605,000</u>	<u>2,661,000</u>
	<u>\$ 7,820,000</u>	<u>\$ 8,399,000</u>
Current liabilities, i.e. accounts payable, accrued expenses, current portion of long-term debt and unearned revenue	\$ 666,000	\$ 683,000
Non-current liabilities	<u>10,396,000</u>	<u>8,660,000</u>
Total Liabilities	<u>\$ 11,062,000</u>	<u>\$ 9,343,000</u>
Deferred inflows related to OPEB	<u>\$ 1,417,000</u>	<u>\$ 1,582,000</u>
Net Position:		
Invested in capital assets	\$ 884,000	\$ 499,000
Restricted	50,000	50,000
Unrestricted	<u>(5,593,000)</u>	<u>(3,075,000)</u>
Total Net Position	<u>\$ (4,659,000)</u>	<u>\$ (2,526,000)</u>

During fiscal year 2021, net position decreased by approximately \$518,000 primarily due to operations, before recording member credits and increases in the net retirement health benefit obligations required by GASB Statement No. 75 of approximately \$1,422,000. The net effect resulted in a decrease of approximately \$2,133,000 in net position for the year ended June 30, 2021.

Current assets decreased approximately \$1,128,000 due primarily to the deficit in operations, member credits and capital outlay of approximately \$439,000, net of debt, for the purchase of facilities. The Collaborative made no transfers into its OPEB trust during fiscal year 2021 and no contributions into its Capital Reserve Fund.

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2021

As indicated in the following summarized Statement of Activities, total revenue decreased by approximately \$2,322,000 and expenses decreased approximately \$409,000 during fiscal year 2021. Approximately \$454,000 of the increases in revenue and expenses are related to intergovernmental revenue related to the state retirement systems. Charges for services decreased approximately \$2,905,000 from fiscal year 2021 primarily due to significant declines in transportation and other services caused by the COVID-19 pandemic. There was an increase in member assessment income of \$24,000. Other postemployment benefits expense increased approximately \$513,000 over fiscal year 2020. Education and other services expenses decreased by approximately \$1,619,000, primarily due to necessary reductions in expenditures due to decreases in revenues. Administration expenses increased by approximately \$224,000 primarily due to new collaborative-wide staffing positions.

	<u>Year ended</u> <u>June 30, 2021</u>	<u>Year ended</u> <u>June 30, 2020</u>	<u>% Change</u>
Revenues:			
Assessments to member towns	\$ 156,000	\$ 132,000	
Charges for services	12,635,000	15,540,000	
Intergovernmental revenue	2,586,000	2,132,000	
Grants and contributions	122,000	1,000	
Interest income	12,000	22,000	
Other	14,000	20,000	
Total Revenues	<u>15,525,000</u>	<u>17,847,000</u>	-13%
Expenses:			
Administration	1,070,000	846,000	
Education and other services	12,248,000	13,867,000	
Intergovernmental expense	2,586,000	2,132,000	
Other postemployment benefits	1,422,000	909,000	
Interest expense	36,000	30,000	
Depreciation and amortization	102,000	89,000	
Total Expenses	<u>17,464,000</u>	<u>17,873,000</u>	-2%
Change in net position before member credits	(1,939,000)	(26,000)	
Member credits	(194,000)	-	
Net position - beginning of year	<u>(2,526,000)</u>	<u>(2,500,000)</u>	
Net position - end of year	<u>\$ (4,659,000)</u>	<u>\$ (2,526,000)</u>	

CAPITAL ASSETS AND DEBT ADMINISTRATION

During 2021, the Collaborative incurred approximately \$707,000 of capital asset expenditures and received approximately \$269,000 in debt financing to pay for those capital expenditures. The Collaborative's debt consists of two mortgages to finance the purchase of real estate. As of June 30, 2021, and 2020, the remaining principal balance of the loans was \$814,483 and \$593,898, respectively. During fiscal 2021 and 2020, the principal of the loans was paid down by \$47,915 and \$39,693, respectively.

Assabet Valley Collaborative
Management's Discussion & Analysis
(unaudited)
June 30, 2021

Additional information on the Collaborative's capital assets and loans can be found in Note D in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget for fiscal year 2021 provided for a surplus of approximately \$104,000. In fiscal year 2021 actual revenues, excluding intergovernmental revenue, were lower than budgeted amounts by approximately \$2,825,000, primarily due to lower than expected transportation and services revenues from the disruption caused by the COVID-19 pandemic. Total expenditures, excluding intergovernmental expense, were lower than budgeted amounts by approximately \$2,257,000, primarily due to lower than expected transportation and services costs, primarily related to the disruption caused by the COVID-19 pandemic.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Collaborative's finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office of the Collaborative.

Assabet Valley Collaborative
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,735,862
Accounts receivable, net	1,780,905
Total Current Assets	3,516,767
Non-current Assets	
Capital assets	2,472,442
Accumulated depreciation	(774,515)
Total Non-current Assets	1,697,927
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to OPEB	2,604,736
Total Deferred Outflows of Resources	2,604,736
Total Assets and Deferred Outflows of Resources	\$ 7,819,430
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current Liabilities	
Current portion of long-term debt	\$ 53,510
Accounts payable and accrued expenses	612,494
Total Current Liabilities	666,004
Non-current Liabilities:	
Long-term debt	760,973
Other postemployment benefits	9,634,637
Total Long Term Liabilities	10,395,610
Total Liabilities	11,061,614
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to OPEB	1,417,122
Total Deferred Inflows of Resources	1,417,122
Net Position	
Invested in capital assets, net of related debt	883,444
Restricted - capital reserve fund	50,000
Unrestricted	(5,592,750)
Total Net Position	(4,659,306)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 7,819,430

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

Assabet Valley Collaborative
Statement of Activities
For the Year Ended June 30, 2021

Functions/ Programs	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration	\$ 1,070,410	\$ -	\$ -	\$ (1,070,410)
Education and related	7,338,199	7,613,499	121,526	396,826
Transportation	4,909,339	5,021,592	-	112,253
Intergovernmental revenue and expense	2,585,851	-	2,585,851	-
Other postemployment benefits	1,421,715	-	-	(1,421,715)
Interest expense	36,287	-	-	(36,287)
Depreciation and amortization	101,858	-	-	(101,858)
Total Governmental Activities	<u>\$ 17,463,659</u>	<u>\$ 12,635,091</u>	<u>\$ 2,707,377</u>	(2,121,191)
General Revenues and Credits:				
Assessments to member districts				156,000
Interest				12,116
Other				13,798
Credits to member districts				<u>(193,827)</u>
Total General Revenues and Credits				<u>(11,913)</u>
Change in Net Position				(2,133,104)
Net Position, Beginning of Year				<u>(2,526,202)</u>
Net Position, End of Year				<u>\$ (4,659,306)</u>

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

Assabet Valley Collaborative
 Balance Sheet
 Governmental Funds
 June 30, 2021

	General Fund	Capital Reserve Fund	Capital Project Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,685,862	\$ 50,000	\$ -	\$ 1,735,862
Accounts receivable, net	<u>1,780,905</u>	<u>-</u>	<u>-</u>	<u>1,780,905</u>
Total Assets	<u>\$ 3,466,767</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 3,516,767</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 612,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612,494</u>
Total Liabilities	<u>612,494</u>	<u>-</u>	<u>-</u>	<u>612,494</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	50,000	-	50,000
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>2,854,273</u>	<u>-</u>	<u>-</u>	<u>2,854,273</u>
Total Fund Balances	<u>2,854,273</u>	<u>50,000</u>	<u>-</u>	<u>2,904,273</u>
Total Liabilities and Fund Balances	<u>\$ 3,466,767</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 3,516,767</u>

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

Assabet Valley Collaborative
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total fund balances, governmental funds	\$ 2,904,273
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position	883,444
Deferred outflows relating to the other postemployment benefit obligations are not a current financial resource and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position	2,604,736
The 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.	(9,634,637)
Deferred inflows relating to the other postemployment benefit obligations are not a current obligation and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position	<u>(1,417,122)</u>
Net Position of Governmental Activities	<u><u>\$ (4,659,306)</u></u>

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

Assabet Valley Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Reserve Fund	Capital Project Fund	Total Governmental Funds
Revenues and Credits:				
Member assessments	\$ 156,000	\$ -	\$ -	\$ 156,000
Program revenues	12,635,091	-	-	12,635,091
Federal and state grants	121,526	-	-	121,526
Intergovernmental revenue	2,585,851	-	-	2,585,851
Interest	12,116	-	-	12,116
Other	13,798	-	-	13,798
Credits to member districts	(193,827)	-	-	(193,827)
Total Revenues and Credits	15,330,555	-	-	15,330,555
Expenditures:				
Administration	1,070,410	-	-	1,070,410
Professional development	20,707	-	-	20,707
REACH/Crossroads	1,381,481	-	-	1,381,481
OT/PT/Therapies/Contract services	361,056	-	-	361,056
Transportation	4,909,339	-	-	4,909,339
Alternative programs (OSA/SOAR)	3,436,523	-	-	3,436,523
Vocational program (Evolution)	1,421,208	-	-	1,421,208
Family success partnership (FSP)	595,698	-	-	595,698
Other	121,526	-	-	121,526
Intergovernmental expense	2,585,851	-	-	2,585,851
Capital outlay	-	-	707,212	707,212
Debt Service:				
Debt principal	47,915	-	-	47,915
Debt interest	36,287	-	-	36,287
Total Expenditures	15,988,001	-	707,212	16,695,213
Excess of Expenditures Over Revenues	(657,446)	-	(707,212)	(1,364,658)
Other Financing Sources:				
Transfer to Capital Project Fund	(438,712)	-	438,712	-
Debt Financing Proceeds	-	-	268,500	268,500
Net Change in Fund Balances	(1,096,158)	-	-	(1,096,158)
Fund Balances, Beginning of Year	3,950,431	50,000	-	4,000,431
Fund Balances, End of Year	\$ 2,854,273	\$ 50,000	\$ -	\$ 2,904,273

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

Assabet 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, 2021

Net change in fund balances - total governmental funds \$ (1,096,158)

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

Governmental funds report outlays and related financing inflows for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay purchases	707,212
Debt financing proceeds	(268,500)
Depreciation	(101,858)

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

Debt principal payments	47,915
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Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in other postemployment benefits (OPEB) accrual	<u>(1,421,715)</u>
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Change in net position of governmental activities	<u><u>\$ (2,133,104)</u></u>
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Assabet Valley Collaborative
Statement of Fiduciary Net Position
Other Postemployment Benefits Trust
June 30, 2021

ASSETS

Cash and cash equivalents	\$ 202,335
Total Assets	\$ 202,335

NET POSITION

Net position held in trust for other postemployment benefits	\$ 202,335
Total Net Position	\$ 202,335

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

Assabet Valley Collaborative
Statement of Changes in Fiduciary Net Position
Other Postemployment Benefits Trust
For the year ended June 30, 2021

Additions:

Contributions	\$ -
Interest and dividend income	294
	294
Total Additions	294

Deductions:

Retiree health insurance expense	-
	-
Total Deductions	-
Change in Net Position	294
Net Position - Beginning of Year	202,041
Net Position - End of Year	\$ 202,335

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

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE A - NATURE OF ORGANIZATION AND REPORTING ENTITY

Organization

The Assabet Valley Collaborative (the Collaborative) was established and operates under provisions of Massachusetts General Law Chapter 40, Section 4E, as amended by Chapter 43 of the Acts of 2012. The Collaborative includes the school districts of the City of Marlborough and towns of Auburn, Berlin, Bolton, Boylston, Hudson, Maynard, Northborough, Southborough, Westborough, Stow and Shrewsbury, Massachusetts and Algonquin Regional High School, Nashoba Regional High School, Tahanto Regional High School and Assabet Valley Regional Vocational High School, which are separate legal entities with their own governing bodies. Their operations are not part of the Collaborative's financial statements.

Assessments: According to the Collaborative Agreement, each member of the community is annually assessed a membership fee which is determined annually by the Board of Directors. The fiscal year 2021 membership fee was \$13,000 per district. Revenue for assessments was \$156,000 for fiscal year 2021 as approved by the Board of Directors.

The Collaborative provides services to special education students in grades 6 through 12 whose Individual Education Plan (IEP) Teams have identified a need for separate therapeutic settings. The Collaborative also provides vocational transition support into the community for post high school up to age 22. These services are provided to member communities on a tuition basis to cover direct operation expenditures. Non-member districts may access programs and services as capacity allows at the non-member rate.

Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the Governmental Accounting Standards Board, the accompanying financial statements present the Assabet Valley Education Collaborative and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Collaborative are significant. Pursuant to these criteria, the Collaborative did not identify any component units requiring inclusion in the accompanying financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

Government-wide Financial 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 not allocate indirect expenses to functions in the statement of Activities.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program revenues included charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenues.

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.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues and expenditures.

The emphasis in fund financial statements is on the major funds in the governmental 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 Collaborative's fiduciary funds are presented in the fiduciary fund financial statements by type. 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.

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.

Capital project fund – used to account for the capital outlay and debt financing related to the purchase of additional facility space in Marlborough, Massachusetts.

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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Since by definition these assets are being held for the benefit of a third party (retiree health insurance participants) and cannot be used to address activities or obligations of the Collaborative, these funds are reported separately from that of the Collaborative's government-wide activities.

Basis of Accounting and Measurement Focus

The Collaborative's government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Collaborative's governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Revenues

Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Charges for services provided to other education agencies and private parties are recognized as revenue when services are provided. Amounts owed to the Collaborative for services already performed, which are not available are recorded as receivables. Amounts received prior to the entitlement period are recorded as unearned revenue. Revenues susceptible to accrual include expenditure-driven programs and interest income.

Accounts Receivable

Accounts receivable represent amounts due from Collaborative members and communities participating in the various programs offered by the Collaborative. There is no allowance for doubtful accounts as all receivables were considered collectible at June 30, 2021.

Capital Assets

Government-wide Statements

In the Collaborative's financial statements, capital assets (with an asset cost greater than \$5,000) are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type is as follows:

Building and improvements	40 years
Leasehold improvements	10 years
Furniture and equipment	5 – 15 years

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Budgets

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting as the General Fund.

Compensated Absences and Other Employee Benefits amounts

The Collaborative's policies were changed during fiscal year 2021 and no longer allow carry over of compensated absence days from the preceding fiscal year. The vacation liability carryover at June 30, 2021 was \$0.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the Collaborative's financial statements as expense when the liabilities are incurred. There were no claims or judgments at the year-end that require reporting in the financial statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end the portion of the debt attributable to the unspent proceeds are not included in the calculation or invested in capital assets. The Collaborative has no bonded debt on Capital assets at June 30, 2021.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other government or, (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance in the fund financial statements is classified as nonspendable, restricted, committed, assigned or unassigned as described below:

Nonspendable: 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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted: Amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

Committed: Amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority (Board of Directors). This classification might also include contractual obligations if existing resources have been committed for use in satisfying those contractual requirements.

Assigned: Amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom authority has been given.

Unassigned: This is residual classification for the General Fund – that is, everything that is not in another classification or in another fund. The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Collaborative's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.

Allocation of Costs

Directly identifiable costs are charged to student services or general and administrative functions as applicable. Costs related to more than one function are allocated based on criteria intended to associate the cost with whichever function benefits.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and investments of Collaborative funds is restricted by state statues. Massachusetts General Law authorizes the Collaborative to invest in term deposits, Certificates of Deposit, in trust companies, national banks, savings banks or in obligations issued by the U.S. Government or one of its agencies.

The carrying amount of the Collaborative's deposits is separately displayed on the balance sheet as cash.

	<u>June 30, 2021</u>	
	Carrying Amount	Bank Balance
Insured (FDIC) and (DIF)	<u>\$1,938,197</u>	<u>\$3,040,319</u>
Total Cash	<u>\$1,938,197</u>	<u>\$3,040,319</u>

Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 and deposits, including Certificates of Deposits in Massachusetts-chartered savings banks are insured in full above the FDIC limit from Depositors Insurance Fund (DIF) of Massachusetts

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE C – CASH AND CASH EQUIVALENTS (continued)

Cash is reported in financial statements as follows:

Governmental Activities	\$1,735,862
Fiduciary Funds	<u>202,335</u>
Total	<u>\$1,938,197</u>

NOTE D - CAPITAL ASSETS AND LOANS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance</u> <u>6/30/20</u>	<u>Additions</u>	<u>Balance</u> <u>6/30/21</u>
Capital assets being depreciated:			
Leasehold improvements	\$ 448,247	\$ -	\$ 448,247
Building and improvements	1,012,549	707,212	1,719,761
Furniture and equipment	172,349	-	172,349
Vehicles	<u>132,085</u>	<u>-</u>	<u>132,085</u>
 Total Capital Assets Being Depreciated	 <u>1,765,230</u>	 <u>707,212</u>	 <u>2,472,442</u>
 Less: Accumulated depreciation for:			
Leasehold improvements	405,439	29,807	435,246
Building and improvements	88,101	40,042	128,143
Furniture and equipment	54,915	26,096	81,011
Vehicle	<u>124,202</u>	<u>5,913</u>	<u>130,115</u>
Total Accumulated Depreciation	<u>672,657</u>	<u>101,858</u>	<u>774,515</u>
 Net Capital Assets	 <u>\$1,092,573</u>	 <u>\$605,354</u>	 <u>\$1,697,927</u>

Included in Buildings and improvements above is the remaining purchase of additional units at the Collaborative's Lord Road, Marlborough location. The purchase was completed in fiscal year 2021 and was partially financed with a mortgage of \$268,500. This activity is recorded in the fund financial statements in a capital project fund, which had no remaining fund balance at June 30, 2021.

Depreciation expense was not charged to various functions but was shown as a separate line item in the statement of activities.

The Collaborative has financed the purchase of property at 28 Lord Road in Marlborough, Massachusetts using a local bank over the years with interest payable at 4.25% to 4.75%. As of June 30, 2021, the remaining balance on the loans were \$814,483. The mortgages mature in fiscal 2032 and 2036 and are payable monthly including principal and interest at \$5,496 and \$2,028.

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

	<u>Balance</u> <u>6/30/2020</u>	<u>New</u> <u>Borrowing</u>	<u>Repayments</u>	<u>Balance</u> <u>6/30/2021</u>
Mortgages- Lord Road	\$ 593,898	\$ 268,500	\$ (47,915)	\$ 814,483
Current Portion	<u>(38,180)</u>			<u>(53,510)</u>
Long-Term Portion	<u>\$ 555,718</u>			<u>\$ 760,973</u>

Interest paid during the year ended June 30, 2021 totaled \$36,287 on all debt.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE D - CAPITAL ASSETS AND LOANS (continued)

Future maturities of debt payable as of June 30, 2021 are as follows:

Fiscal Year End	Principal	Interest	Total
June 30:			
2022	\$ 53,510	\$ 36,777	\$ 90,287
2023	56,074	34,213	90,287
2024	58,675	31,612	90,287
2025	61,572	28,715	90,287
2026	64,523	25,764	90,287
2027-2031	372,019	79,413	451,432
2032-2036	148,110	10,284	158,394
Thereafter	-	-	-
	<u>\$814,483</u>	<u>\$246,778</u>	<u>\$1,061,261</u>

NOTE E - CUMULATIVE SURPLUS

In accordance with Massachusetts regulation 603 C.M.R. 50.07, the Collaborative has determined that its Cumulative Surplus as of June 30, 2021 is equal to the cumulative General Fund Balance of \$2,854,273. The Collaborative Agreement stipulates that the Board will retain no more than 25 percent of the previous year's (i.e. audited year's) general fund expenditures, which is equal to \$3,350,538, in cumulative surplus. The cumulative General Fund Balance did not exceed the allowable surplus as of June 30, 2021.

NOTE F - 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.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE F - MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREE SYSTEMS (continued)

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.

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 2021, the Collaborative's contributions on behalf of employees totaled \$110,446.

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

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE F - MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREE SYSTEMS (continued)

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

The 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 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, 2020 and was \$4,655,414 and \$15,308,931 under MSERS and MTRS, respectively. In fiscal year 2021, the Collaborative recognized revenue and related expense of \$694,979 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal year 2021, the Collaborative recognized revenue and related expense of \$1,890,872, (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 G - LEASE DISCLOSURES

The Collaborative rents classrooms and office space from several of its member communities. The following summarizes rent by these locations:

Location	Rental Space	Annual Rent
Marlborough – Bigelow School	AVCAS School Building	\$160,816
Shrewsbury – High School	Evolution Program	\$ 42,504
Algonquin Regional High School	REACH Classroom	\$ 8,000
Woodward Elementary School	REACH Classroom	\$ 4,000
Southborough – Trottier Middle School	REACH Classroom	\$ 4,000

Rent expense for real property leases totaled \$219,320 for the fiscal year ended June 30, 2021.

Future minimum payments, by year, for the next five years and in the aggregate, under non-cancellable real property operating leases consisted of the following at June 30, 2021:

Fiscal year-end	Amount
2022	\$ 176,032
2023	167,313
2024	170,659
2025	174,072
2026	177,554
2027-2031	942,477
2032-2036	1,040,571
2037-2041	<u>445,947</u>
Total	<u>\$3,294,625</u>

In addition, the Collaborative leases copy and postage equipment. Rent expense for operating equipment leases for fiscal 2021 totaled \$9,661.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE G - LEASE DISCLOSURES (continued)

Future minimum payments, by year, for the next five years and in the aggregate, under non-cancellable equipment leases consisted of the following at June 30, 2021:

Fiscal year-end	Amount
2022	\$ 8,302
2023	720
2024	720
2025	720
2026 and thereafter	-
Total	<u>\$10,462</u>

NOTE H – POSTEMPLOYMENT HEALTHCARE PLAN

Description

The Collaborative, per its contracts with employees, generally will pay 50 percent of health care benefits for retirees and their spouses. This agreement can be amended by action of the Collaborative subject to applicable policy changes and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purposes of paying benefits under the plan. Employees of the Collaborative and dependents are eligible for postemployment medical insurance based on eligibility requirements under the Massachusetts State Employees and Massachusetts Teachers Retirement Systems. Any member who is unable to perform his or her duties due to a non-occupational disability and has ten or more years of creditable service or who is unable to perform his or her duties due to a job-related disability are eligible.

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 Collaborative has not established a formal funding policy.

Investment Policy

The long-term rate of return on assets developed based on the Collaborative Investment Policy is 2.6% and a municipal bond rate of 3.5%. Long-term investment return rate is based on expected long-term investment return rates provided by the Collaborative.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE H – POSTEMPLOYMENT HEALTHCARE PLAN (continued)

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

Actuarially Determined Contribution - Deficiency / (Excess)		June 30, 2021
I.	Service Cost	\$1,123,040
II.	30-year level dollar amortization of NOL and interest	253,650
III.	Actuarial Determined Contribution [I. + II.]	1,376,690
IV.	Contributions in relation to the actuarially determined contribution	(34,086)
V.	Contribution deficiency / (excess) [III. + IV.]	<u>\$1,342,604</u>
	Covered employee payroll	\$5,853,226
	Contribution as a % of covered employee payroll	0.58%
	Discount Rate	2.16%
	Money Weighted Rate of Return	0.15%

OPEB Liability and OPEB Expense

	Fiscal Year Ended June 30, 2021	
	Collaborative Employees and Retirees	Total
I. Total OPEB Liability	\$ 9,836,972	\$ 9,836,972
II. Fiduciary Net Position as of June 30, 2021	202,335	202,335
III. Net OPEB Liability (Asset) [I.-II.]	9,634,637	9,634,637
IV. Service cost	1,123,040	1,123,040
V. Interest	208,019	208,019
VI. Changes of benefit terms	-	-
VII. Differences between expected and actual	(134,850)	(134,850)
VIII. Changes of assumptions	259,592	259,592
IX. Benefit payments	<u>(34,086)</u>	<u>(34,086)</u>
X. Net OPEB Expense	\$ 1,421,715	\$ 1,421,715

Effect of 1% Change in Discount Rates

As of the June 30, 2021 Measurement Date, if the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$7,685,672 and the Net OPEB Liability would decrease to \$7,483,337. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$12,764,752 and the Net OPEB Liability would increase to \$12,562,417.

Effect of 1% Change in Healthcare Trend

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Total OPEB Liability as of the June 30, 2021 Measurement Date would increase to \$13,592,899 and Net OPEB Liability would increase to \$13,390,564. 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 \$7,246,765 and the Net OPEB Liability would decrease to \$7,044,430.

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE H – POSTEMPLOYMENT HEALTHCARE PLAN (continued)

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:	Entry Age Normal
Discount Rate:	2.16% per annum (previously 3.50%)
General Inflation Assumption:	2.20% per annum
Annual Compensation Increases:	3.50% per annum
Actuarial Value of Assets:	Market Value

Recognition of OPEB Trust Assets

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

Impact of Patient Protection and Affordable Care Act (“PPACA”) Excise Tax

The Patient Protection and Affordable Care Act (“PPACA”) applies a 40% excise tax to the cost of plan benefits in excess of statutory thresholds beginning after December 31, 2021. This tax was repealed in December 2019.

Deferred Outflows and Deferred Inflows of Resources

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of differences between expected & actual experience										
Fiscal	Differences between actual & expected experience	Recognitio n Period (years)	2021 Amortization	6/30/2021 Remaining Balance	2022	2023	2024	2025	2026	2027 and Thereafter
2018	-	11.43	-	-	-	-	-	-	-	-
2019	-	11.43	-	-	-	-	-	-	-	-
2020	(1,445,326)	10.92	(132,356)	(1,180,614)	(132,356)	(132,356)	(132,356)	(132,356)	(132,356)	(518,834)
2021	-	10.92	-	-	-	-	-	-	-	-
Total Remaining Balance				(1,180,614)						
Net increase (decrease) in OPEB Expense			(132,356)			(132,356)	(132,356)	(132,356)	(132,356)	(518,834)

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of the effects of changes in assumption										
Fiscal	Changes of Assumptions	Recognition Period (years)	2021 Amortization	6/30/2021 Remaining Balance	2022	2023	2024	2025	2026	2027 and Thereafter
2018	(363,836)	11.43	(31,832)	(236,508)	(31,832)	(31,832)	(31,832)	(31,832)	(31,832)	(77,348)
2019	539,758	11.43	47,223	398,089	47,223	47,223	47,223	47,223	47,223	161,974
2020	2,433,289	10.92	222,829	1,987,631	222,829	222,829	222,829	222,829	222,829	873,486
2021	233,379	10.92	21,372	212,007	21,372	21,372	21,372	21,372	21,372	105,147
Total Remaining Balance				2,361,219						
Net increase (decrease) in OPEB Expense			259,592			259,592	259,592	259,592	259,592	1,063,259

Assabet Valley Collaborative

Notes to Financial Statements

June 30, 2021

NOTE H – POSTEMPLOYMENT HEALTHCARE PLAN (continued)

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of differences between projected & actual earnings on OPEB plan investments									
Fiscal	Differences between projected & actual earnings	Recognition Period (years)	2021 Amortization	6/30/2021 Remaining Balance	2022	2023	2024	2025	2026
2018	1,518	5.00	303	303	303	-	-	-	-
2019	1,795	5.00	359	718	359	359	-	-	-
2020	3,908	5.00	782	2,344	782	781	781	-	-
2021	4,555	5.00	911	3,644	911	911	911	911	-
Total Remaining Balance				7,009					
Net increase (decrease) in OPEB Expense			2,355		2,355	2,051	1,692	911	-

NOTE I - RISK MANAGEMENT

The Collaborative is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; workers' compensation and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage. There were no significant changes in coverage compared to the prior year.

Beginning in March 2020, the COVID-19 pandemic in the United States has caused disruption and a reduction in overall economic activity. While the disruption was expected to be temporary, there is still 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.

NOTE J - COMMITMENTS AND CONTINGENCIES

From time to time, the Collaborative may be party to various pending claims and legal proceedings. Although the outcomes of such matters cannot be forecast with certainty, it is the opinion of management and the Collaborative's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Collaborative's financial position or results of operations.

The Collaborative has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The Collaborative has employment contracts with members of management. The contracts expire on various dates from June 30, 2021 to June 30, 2022.

NOTE K –RESTRICTED FUND BALANCE

The Collaborative's Board of Directors has approved a capital budget plan in accordance with state regulations not to exceed \$722,500. During the year ended June 30, 2021, the Collaborative made no transfers to the capital reserve fund. The remaining balance in the capital reserve fund at June 30, 2021 was \$50,000.

NOTE L - SUBSEQUENT EVENTS

The Collaborative evaluated subsequent events through December 17, 2021, which is the date the financial statements were available to be issued.

Assabet Valley Collaborative

Required Supplementary Information

June 30, 2021

Assabet Valley Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
of the General Fund - Budget to Actual - Budgetary Basis
For the Year Ended June 30, 2021

	Original/ Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:			
Member assessments	\$ 156,000	\$ 156,000	\$ -
Professional development	-	18,325	18,325
Multiple handicapped (REACH/Crossroads)	1,264,830	1,406,830	142,000
OT/PT/Therapies/Contract services	445,000	435,492	(9,508)
Transportation	7,702,500	5,021,592	(2,680,908)
Alternative programs (OSA/SOAR)	3,795,823	3,863,636	67,813
Vocational program (Evolution)	1,608,325	1,297,187	(311,138)
Family success partnership (FSP)	595,000	592,029	(2,971)
Grants	-	121,526	121,526
Intergovernmental revenue*	-	2,585,851	2,585,851
Interest	-	12,116	12,116
Other	196,054	13,798	(182,256)
Credits to member districts	-	(193,827)	(193,827)
Total Revenues	15,763,532	15,330,555	(432,977)
Expenditures:			
Administration	1,357,284	1,070,410	286,874
Professional development	-	20,707	(20,707)
REACH/Crossroads	1,403,010	1,381,481	21,529
OT/PT/Therapies/Contract services	418,116	361,056	57,060
Transportation	6,708,135	4,909,339	1,798,796
Alternative programs (OSA/SOAR)	3,587,919	3,436,523	151,396
Vocational program (Evolution)	1,561,075	1,421,208	139,867
Family success partnership (FSP)	623,664	595,698	27,966
Grant related expenses	-	121,526	(121,526)
Intergovernmental expense*	-	2,585,851	(2,585,851)
Capital outlay, net of debt incurred	-	-	-
Debt Service:			
Debt principal	-	47,915	(47,915)
Debt interest	-	36,287	(36,287)
Total Expenditures	15,659,203	15,988,001	(328,798)
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,329	(657,446)	(761,775)
Other Financing Sources			
Transfer to capital project fund	-	(438,712)	(438,712)
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures	\$ 104,329	\$ (1,096,158)	\$ (1,200,487)

*Intergovernmental revenue and expense is not budgeted by the Collaborative because it is actuarially determined annually and does not require actual expenditure by the Collaborative.

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.

See independent auditor's report.

Assabet Valley Collaborative
OPEB Plan - Required Supplementary Information
June 30, 2021

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, 2018	\$ 845,507	\$ (93,455)	\$ 752,052	\$ 4,590,180	2.04%
June 30, 2019	\$ 834,799	\$ (17,544)	\$ 817,255	\$ 5,082,892	0.35%
June 30, 2020	\$ 970,268	\$ (96,497)	\$ 873,771	\$ 5,758,341	1.68%
June 30, 2021	\$ 1,376,690	\$ (34,086)	\$ 1,342,604	\$ 5,853,226	0.58%

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.

Assabet Valley Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2021 Measurement Date

Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios				
Valuation Date	July 1, 2019	July 1, 2019	July 1, 2018	July 1, 2017
For the Reporting Period & Fiscal Year ending on:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability				
I. Service Cost	1,123,040	724,580	627,760	660,550
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	208,019	252,916	222,854	190,530
III. Changes in Benefit terms	-	(149,695)	-	-
IV. Difference between Expected & Actual Plan Experience	-	(1,445,326)	-	-
V. Changes of Assumption	233,379	2,433,289	539,758	(363,836)
VI. Benefit Payments Excluding Implicit Cost	(34,086)	(21,497)	(17,544)	(18,455)
VII. Implicit Cost Amount	-	-	-	-
VIII. Total Benefit payments including Implicit Cost [VI.+VII.]	(34,086)	(21,497)	(17,544)	(18,455)
IX. Net Change in OPEB liability [I.+II.+III.+IV.+V.+VIII.]	1,530,352	1,794,267	1,372,828	468,789
X. Total OPEB liability - beginning of period	8,306,620	6,512,353	5,139,525	4,670,736
XI. Prior Period Adjustment for Retirees not Previously Reflected	-	-	-	-
XII. Total OPEB Liability - end of period [IX.+X.+XI.]	9,836,972	8,306,620	6,512,353	5,139,525
Plan Fiduciary Net Position				
XIII. Earning from Plan Investments	294	991	712	234
XIV. Employer Contribution to trust	34,086	96,497	17,544	93,455
XV. Benefit payments from trust, including refunds of member contributions	(34,086)	(21,497)	(17,544)	(18,455)
XVI. Administrative expense	-	-	-	-
XVII. Other	-	-	-	-
XVIII. Net change in plan fiduciary net position [XIII.+XIV.+XV.+XVI.+XVII.]	294	75,991	712	75,234
XIX. Plan fiduciary net position - beginning of period	202,041	126,050	125,338	50,104
XX. Plan fiduciary net position - end of period [XVIII.+XIX.]	202,335	202,041	126,050	125,338
XXI. Net OPEB Liability [XII.-XX.]	9,634,637	8,104,579	6,386,303	5,014,187
XXII. Plan fiduciary net position as a % of total OPEB liability [XX./XII.]	2.06%	2.43%	1.94%	2.44%
XXIII. Covered employee payroll	5,853,226	5,758,341	5,082,892	4,590,180
XXIV. Plan NOL as % of covered employee payroll [XXI./XXIII]	164.60%	140.75%	125.64%	109.24%
Single Discount Rate to calculate Plan Liabilities	2.16%	2.21%	3.50%	3.87%

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.

Assabet Valley Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2021 Measurement Date

Notes to Required Supplementary Information:

Valuation Date: Actuarially Determined Contribution was valued as of July 1, 2019.

Actuarial Cost Method: Entry Age Normal

Asset-Valuation Method: Market Value

Actuarial Assumptions:

Investment Rate of Return: 2.2% compounded annually, net of fees

Municipal Bond Rate: 2.16%, based on the Bond Buyer 20-Bond GO Index published on June 30, 2021

Single Equivalent Discount Rate: 2.16%, compounded annually

Inflation: 2.2% per year, based on current economic data, analyses from economists and other experts, and professional judgement

Salary Increases: 3.5% per year

Cost of Living Adjustment: Not Applicable

Pre-Retirement Mortality: Pre-Retirement mortality rates for General employees are based on the RP-2014 Employees Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016 and set forward one year for females

Pre-Retirement mortality rates for Teachers are based on the RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016

Assabet Valley Collaborative
OPEB Plan - Required Supplementary Information
As of the June 30, 2021 Measurement Date

Notes to Required Supplementary Information (Continued):

Actuarial Assumptions:

Post-Retirement Mortality: Pre-Retirement mortality rates for General employees are based on the RP-2014 Healthy Annuitant Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016 and set forward one year for females.

Pre-Retirement mortality rates for Teachers are based on the RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016.

Plan Membership

Plan Membership: At June 30, 2021, the OPEB plan membership consisted for the following

Inactive employees or beneficiaries currently receiving benefits:	4
Active Employees:	<u>85</u>
Total:	<u>89</u>

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, 2020 to June 30, 2021:

Discount rate is 2.16% previously 2.21%

Contributions:

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

Assabet Valley Collaborative
Schedule of the Collaborative's Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2021

		<u>MTRS</u>	<u>MSERS</u>
Collaborative's proportion of net pension liability	FY2015	0.04561%	0.02466%
	FY2016	0.04893%	0.02650%
	FY2017	0.05218%	0.02512%
	FY2018	0.05300%	0.02333%
	FY2019	0.05160%	0.02279%
	FY2020	0.05363%	0.02713%
Collaborative's proportionate share of net pension liability	FY2015	\$ 9,345,520	\$ 2,806,546
	FY2016	\$ 10,938,585	\$ 3,653,558
	FY2017	\$ 11,941,119	\$ 3,222,152
	FY2018	\$ 12,567,663	\$ 3,086,439
	FY2019	\$ 13,009,603	\$ 3,335,691
	FY2020	\$ 15,308,931	\$ 4,655,414
Collaborative's covered-employee payroll	FY2015	\$ 2,891,227	\$ 1,349,422
	FY2016	\$ 3,218,268	\$ 1,475,832
	FY2017	\$ 3,552,532	\$ 1,434,591
	FY2018	\$ 3,715,284	\$ 1,341,094
	FY2019	\$ 3,797,949	\$ 1,371,234
	FY2020	\$ 4,127,108	\$ 1,678,535
Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll	FY2015	323.24%	207.98%
	FY2016	339.89%	247.56%
	FY2017	336.13%	224.60%
	FY2018	338.27%	230.14%
	FY2019	342.54%	243.26%
	FY2020	370.94%	277.35%
Plan fiduciary net position as a percentage of the total pension liability	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%
	FY2017	54.25%	67.21%
	FY2018	54.84%	67.91%
	FY2019	53.95%	66.28%
	FY2020	50.67%	62.48%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note F to financial statements

Measurement Date

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

Schedule Presentation

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

See independent auditor's report.

Assabet Valley Collaborative
Schedule of Pension Contributions
For the Year Ended June 30, 2021

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
<u>MTRS</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$2,891,227	\$3,218,268	\$3,552,532	\$3,715,284	\$3,797,949	\$4,127,108
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

<u>MSERS</u>						
Contractually required contribution	\$ 75,568	\$ 82,647	\$ 75,101	\$ 75,101	\$ 76,789	\$ 101,421
Contributions in relation to the contractually required contribution	\$ 75,568	\$ 82,647	\$ 75,101	\$ 75,101	\$ 76,789	\$ 101,421
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$1,349,429	\$1,475,839	\$1,341,089	\$1,341,094	\$1,371,234	\$1,662,645
Contributions as a percentage of covered-employee payroll	5.60%	5.60%	5.60%	5.60%	5.60%	6.10%

Notes to Required Supplementary Inf

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note F to financial statements

Measurement Date

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

Schedule Presentation

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

Contributions

The 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.

Assabet Valley Collaborative

Other Supplementary Information

June 30, 2021

Assabet Valley Collaborative
Statement of Revenues and Expenditures and Changes in Fund Balance by Program
For the Year Ended June 30, 2021

	REACH/ Crossroads	Transportation	Professional Development	Alternative HS	Consultation Services	Vocational Evolution	Family Success Partnership	Other Funds	Grant	Total Programs
Revenues										
Programs	\$ 1,406,830	\$ 5,021,592	\$ 18,325	\$ 3,863,636	\$ 435,492	\$ 1,297,187	\$ 592,029	\$ -	\$ -	\$ 12,635,091
Federal and state grants	-	-	-	-	-	-	-	-	121,526	121,526
Other revenue	-	-	-	-	-	-	-	-	-	-
Total Revenues	1,406,830	5,021,592	18,325	3,863,636	435,492	1,297,187	592,029	-	121,526	12,756,617
Expenditures										
Salaries	838,470	49,093	-	2,180,790	59,113	775,973	496,775	-	5,500	4,405,714
Therapy	244,853	-	-	282,801	240,914	162,495	-	-	-	931,063
Other contracted services	38,498	-	300	153,199	1,950	8,494	1,291	-	13,581	217,313
Transportation	-	4,844,371	-	2,696	-	25,040	-	-	-	4,872,107
Supplies	19,180	320	-	43,477	610	31,721	871	-	13,564	109,743
Retirement	25,097	2,800	-	-	-	-	-	-	-	27,897
Medicare	14,410	665	3,054	72,250	8,407	32,743	9,945	-	-	141,474
Travel	1,068	-	-	460	610	1,341	3,329	-	-	6,808
Medical insurance	142,525	11,166	-	340,240	39,243	198,621	67,963	-	-	799,758
Medical services	17,874	-	-	17,107	-	95,193	-	-	12,848	143,022
Rent	16,000	-	-	164,029	-	504,600	-	-	-	684,629
Maintenance	213	-	6,161	83,023	-	8,197	-	-	-	97,594
Membership & subscriptions	662	225	7,038	3,189	17	1,110	-	-	-	12,241
Telephone & utilities	12,241	699	3,859	78,428	5,292	23,440	4,018	-	-	127,977
Equipment	10,390	-	-	10,165	4,900	5,087	11,506	-	56,752	98,800
Misc. services	-	-	26,380	4,669	-	4,119	-	-	19,281	54,449
Professional development	-	-	295	-	-	-	-	-	-	295
Total Expenditures	1,381,481	4,909,339	47,087	3,436,523	361,056	1,878,174	595,698	-	121,526	12,730,884
Revenues (over) under expenditures before transfers	25,349	112,253	(28,762)	427,113	74,436	(580,987)	(3,669)	-	-	25,733
Other financing sources (uses):										
Operating transfers out	(121,609)	(432,160)	(4,145)	(302,511)	(31,783)	(165,332)	(52,438)	-	-	(1,109,978)
Net change in fund balances	(96,260)	(319,907)	(32,907)	124,602	42,653	(746,319)	(56,107)	-	-	(1,084,245)
Fund Balances - Beginning of Year	323,648	3,916,660	(208,346)	154,947	(161,950)	(1,134,663)	(45,884)	38,932	7,283	2,890,627
Fund Balances - End of Year	\$ 227,388	\$ 3,596,753	\$ (241,253)	\$ 279,549	\$ (119,297)	\$ (1,880,982)	\$ (101,991)	\$ 38,932	\$ 7,283	\$ 1,806,382

See independent auditor's report.

Assabet Valley Collaborative
 Schedule of Treasurer's Cash
 June 30, 2021

COMPOSITION OF CASH AT YEAR END:

Governmental fund cash is comprised of:

Avidia Bank (2 accounts)	Interest Bearing	\$ 1,927,547
Avidia Bank (2 accounts)	Non-Interest Bearing	52,376
Marlborough Savings Bank (1 account)	Interest Bearing	658,456
Marlborough Savings Bank (1 account)	Non-Interest Bearing	<u>(902,517)</u>
Total governmental fund cash		<u><u>\$ 1,735,862</u></u>

Fiduciary fund cash is comprised of:

Avidia Bank (1 account)	Interest Bearing	<u>\$ 202,335</u>
Total fiduciary fund cash		<u><u>\$ 202,335</u></u>

See independent auditor's report.

Assabet Valley Collaborative
Information Required by MGL Chapter 40
For the Year Ended June 30, 2021

Transactions between the Collaborative and any related for-profit or non-profit organization:

None

Transaction or contracts related to the purchase, sale, rental or lease of real property:

See Note G - Lease Disclosures

The names, duties and total compensation of the five most highly compensated employees:

<u>Name and Title</u>	<u>Total Compensation</u>
C. Cummins, Executive Director	\$ 119,560
K. Lamb, Director of Educational Equality	\$ 117,060
K. Laskey, Director of Satellite Programs	\$ 116,076
S. Van der Swaagh, Principal of Therapeutic Program	\$ 116,280
M. Sharma, Program Coordinator	\$ 113,576

Executive Director - Provides leadership in the planning, development and operations of all educational programs and services offered to participating members of the Collaborative.

Program Principal/Directors/Coordinators - Responsible for the operation, maintenance, and general administration of program.

The amounts expended on administration and overhead:

Administration and overhead \$ 1,070,410

Any accounts held by the Collaborative that may be spent at the discretion of another person or entity:

None

Amounts expended on services for individuals aged 22 years and older:

None

Any other items as may be required by regulation:

None

See independent auditor's report.

Assabet Valley Collaborative
Information Required by MGL Chapter 40 (Continued)
For the Year Ended June 30, 2021

Annual determination and disclosure of cumulative surplus:

Page(s) in
financial
statements

Cumulative Surplus Calculation - FY21

(A) Surplus as of June 30, 2020		\$ 3,950,431	(A) p.12
<i>(Breakdown of use of 2020 surplus)</i>			
B(1) used to support the FY21 budget		\$ 902,331	
B(2) issued as credits to member districts		\$ 193,827	
B(3) issued as a check(s) to member district(s)		\$ -	
B(4) deposited to a restricted account(s)		\$ -	
(B) Board voted uses of surplus funds during FY21	<i>(total from B1:B4)</i>	\$ 1,096,158	(B) p.12
(C) Unexpended FY21 General Funds		\$ -	(C) p.12
(D) Cumulative Surplus as of June 30, 2021	(A) - (B) + (C) = (D)	\$ 2,854,273	(D) p.12
(E) FY21 Total General Fund Expenditures*		\$ 13,402,150	(E) p.12
(F) Cumulative Surplus Percentage	(D) ÷ (E)	21.30%	(F) p.12
CUMULATIVE SURPLUS REDUCTION			
Allowable uses of surplus - in excess of the 25% limit			
(G) Cumulative surplus as of June 30, 2021		\$ 2,854,273	
25% limit (allowed)		\$ 3,350,538	
(H) Cumulative Surplus REDUCTIONS			
(H)1 Credited to member districts for tuition, services, etc.		\$ -	
(H)2 Deposited to an established trust and/or reserve fund		\$ -	
(H)3 Returned (check) to school districts/towns		\$ -	
Total Reductions		\$ -	
FY21 Cumulative Surplus Percentage after Reductions		21.30%	
* Excludes Intergovernmental expense, includes transfers to capital reserve and OPEB trust fund.			

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
Assabet Valley Collaborative
Marlborough, 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 Assabet Valley Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Assabet Valley Collaborative's basic financial statements, and have issued our report thereon dated December 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Assabet Valley Collaborative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Assabet Valley Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Assabet 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-1 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Assabet 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2021-2.

Assabet Valley Collaborative's Response to Findings

Assabet Valley Collaborative's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Assabet Valley Collaborative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fifty Overhauled LLC

Certified Public Accountants

Newburyport, Massachusetts

December 17, 2021

Assabet Valley Collaborative
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Item 2021-1 - Business Manager Vacancy for Several Months

Condition - The Collaborative was without a business manager for three months during the fiscal year.

Criteria - Proper internal controls require that there is sufficient supervision and segregation of duties in the financial reporting function of the Collaborative.

Cause - The Collaborative's former interim business manager resigned in November 2020 and a new interim business manager was not hired until March 2021.

Potential effect - The business manager role is an integral part of internal controls and lack of supervision may lead to inadequate financial oversight by management and the board. The vacancy in the position limits the internal controls the Collaborative can utilize to maintain proper financial reporting.

Recommendation - The Collaborative has hired an interim business manager and subsequent to year end, a full time business manager. The position needs to be adequately filled on an on-going basis.

Management's response - The Collaborative's leadership team has selected a full time Accounting/Finance Manager as of December 2021, awaiting appointment by the Board of Directors at the December 17th meeting. The Collaborative has been developing an onboarding, orientation, and ongoing mentoring program that will include a 2-month overlap with the current Interim Business Manager contracted through The Management Solutions (TMS).

Item 2021-2 - Budgeted to Actual Results Comparison

Condition - The Collaborative was not preparing proper budgeted to actual results comparisons throughout the fiscal year.

Criteria - GASB requires a governmental entity to prepare budgetary comparison information as required supplementary information to its financial statements. In addition, Massachusetts General Law c. 40 § 4E, and the accompanying regulations, 603 CMR 50.00, address cumulative surplus and collaborative budgeting practices. Further guidance by the Massachusetts Department of Elementary and Secondary Education states all planned expenditures in a collaborative budget must have sufficient revenues to support the expenditures. If cumulative surplus is used to support planned expenditures in the collaborative budget or the amended budget, this information must be provided to the collaborative board and the member districts as part of the supplemental budget information.

Cause - The Collaborative was not preparing proper budgetary comparison information in the same format as its accounting system.

Potential effect - Senior management and the Collaborative board were not receiving proper budgetary comparison information to make proper decisions related to the Collaborative's realized deficit in the fiscal year. In addition, the board was unable to take action in approving an amended budget that properly addressed the projected deficit prior to the fiscal year end.

Assabet Valley Collaborative
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Recommendation - The Collaborative should utilize the budgeted to actual results comparative function within its accounting software for ongoing monitoring of the budget once the budget is reviewed and approved. This comparative function should generate adequate reports for management and the board to make proper budgeting decisions throughout the year.

Management's response - As of the September 2021 board meeting, the financials have been revised from a one page document to now include the following documents in the Board of Directors financial report:

- Summary of revenues and expenses by fund code (that balance to the general ledger system) with a comparison to the budget as approved by the Board of Directors,
- Listing of the Accounts Payable warrants that have been completed between meetings,
- Aging receivables report that shows the full outstanding invoices by district.
- Detailed system reports for revenues and expenses that show the budget, year to date expenses and encumbrances to date.

It has also been integrated into the process that a regular review of the expenses to budget is completed and questioned as necessary.



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ACCEPTANCE OF THE BOARD OF DIRECTORS

We, the Board of Directors of the Assabet 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, 2021.

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

A handwritten signature in cursive script, appearing to read 'Andrew Bock', is written above a horizontal line.

Board Chair

12/17/21

Date