

NORTH RIVER COLLABORATIVE
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDING JUNE 30, 2020

NORTH RIVER COLLABORATIVE
Basic Financial Statements and Management's Discussion and Analysis
For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North River Collaborative
Rockland, 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 the North River Collaborative as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 the North River Collaborative, as of June 30, 2020, 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 on pages v-ix, the Schedule of the Collaborative's Proportionate Share of the Net Pension Liabilities and Pension Plan Contributions, the Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios, the Schedule of Collaborative Contributions – Other Postemployment Benefits, the Schedule of Investment Returns – Other Postemployment Benefits Trust Fund, and the Budgetary Comparison Schedule – General Fund and related notes on pages 40-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

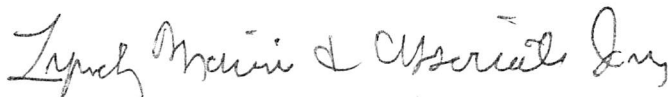
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North River Collaborative's basic financial statements. The other information presented in accordance with Massachusetts General Law, Chapter 40, Section 4E and Regulations on Educational Collaboratives 603 CMR 50.00 on pages 47-48 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020 on our consideration of the North River Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North River 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 the North River Collaborative's internal control over financial reporting and compliance.



Norwell, Massachusetts
November 10, 2020

**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North River Collaborative
Rockland, 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 the North River Collaborative, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the North River Collaborative's basic financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North River 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 North River Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the North River 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North River Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Lynch Marini & Associates Inc

Norwell, Massachusetts
November 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH RIVER COLLABORATIVE
Management's Discussion and Analysis
Year Ended June 30, 2020

As management of the North River Collaborative (the Collaborative), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. The Collaborative complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis is part of these requirements.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Collaborative's basic financial statements. These basic financial statements consist of the following components: 1.) government-wide financial statements, 2.) fund financial statements, and 3.) notes to the financial statements. Required supplementary information, as required by the Governmental Accounting Standards Board (GASB), accompanies the financial statements and notes to provide additional analysis.

Government-wide financial statements are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets plus deferred outflows of resources less liabilities and deferred inflows of resources, resulting in the aggregate *net position* of the Collaborative. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Collaborative is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the Collaborative's capital assets, to assess the overall health of the Collaborative.

The *statement of activities* presents information showing how the Collaborative's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the Collaborative.

The government-wide financial statements distinguish functions that are principally supported by intergovernmental revenues (*governmental activities*) from other material functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Collaborative include: administration, instruction, other school services, and fixed charges, among others. The Collaborative has not classified any activity as a business-type activity.

Fund financial statements present financial information using funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Collaborative's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Collaborative's net resources available for spending at the end of the fiscal year.

NORTH RIVER COLLABORATIVE
Management's Discussion and Analysis
Year Ended June 30, 2020

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Collaborative has several governmental funds. The general fund, the capital projects fund, and the capital reserve fund are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as other governmental funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Collaborative. 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. The reporting basis is on net position and changes in net position. The Collaborative's sole fiduciary fund consists of the Retiree Health Insurance Trust Fund. This fund accounts for resources legally held in trust for the purpose of funding health insurance benefits for retirees and are not subject to any creditors of the Collaborative.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Collaborative's budgetary comparisons and its pension and other postemployment benefit obligations. Furthermore, this report presents *other information* which is required by Massachusetts General Laws (M.G.L.) Chapter 43 of the Acts of 2012.

Government-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of the Collaborative's financial position. As indicated in the following chart, governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$4.7 million at the close of fiscal year 2020.

A portion of the net position, approximately \$713,000 (15.2%), represents resources that are subject to external restrictions on how they may be used and approximately \$2.6 million (55.3%) has been categorized as net investment in capital assets. The remaining net position, which may be used to meet the government's ongoing obligations to its creditors, was approximately \$1.4 million (29.5%) at June 30, 2020.

The following table demonstrates the net position of the Collaborative as of June 30, 2020 and June 30, 2019 as previously reported.

NORTH RIVER COLLABORATIVE
Management's Discussion and Analysis
Year Ended June 30, 2020

| | Primary Government Governmental Activities | |
|---|---|----------------------|
| | June 30, 2020 | June 30, 2019 |
| Current assets | \$ 4,463,366 | \$ 3,465,930 |
| Capital assets, net | 3,527,078 | 3,312,122 |
| Total assets | <u>7,990,444</u> | <u>6,778,052</u> |
| Deferred outflows of resources | 289,800 | 295,504 |
| Total assets and deferred outflows of resources | <u>8,280,244</u> | <u>7,073,556</u> |
| Current liabilities | 883,074 | 1,043,519 |
| Noncurrent liabilities | 2,142,538 | 2,225,681 |
| Total liabilities | <u>3,025,612</u> | <u>3,269,200</u> |
| Deferred inflows of resources | 570,303 | 383,627 |
| Net position: | | |
| Net investment in capital assets | 2,589,762 | 2,155,916 |
| Restricted | 713,123 | 546,994 |
| Unrestricted | 1,381,444 | 717,819 |
| Total net position | <u>\$ 4,684,329</u> | <u>\$ 3,420,729</u> |

As indicated in the following chart, governmental activities' net position increased by approximately \$1.3 million during the current fiscal year, which reflects the governmental activities' results of operations.

| | Primary Government Governmental Activities | |
|------------------------------------|---|---------------------|
| | FY2020 | FY2019 |
| Program Revenues: | | |
| Charges for services | \$ 314,764 | \$ 312,350 |
| Operating grants and contributions | 4,243,455 | 3,501,831 |
| General Revenues: | | |
| Tuition income | 4,821,363 | 4,580,907 |
| Charges for services | 8,200,754 | 8,798,802 |
| Intergovernmental | 85,512 | 123,303 |
| Departmental and other | 21,471 | 90,992 |
| Member assessments | 30,000 | 27,000 |
| Investment income | 98,922 | 87,384 |
| Total revenues | <u>17,816,241</u> | <u>17,522,569</u> |
| Expenses: | | |
| Administration | 1,293,468 | 1,304,530 |
| Instruction | 5,573,030 | 6,007,104 |
| Other school services | 3,377,037 | 3,652,580 |
| Fixed charges | 5,236,697 | 3,966,448 |
| Operations and maintenance | 465,557 | 496,044 |
| Debt service | 74,537 | 53,696 |
| Depreciation | 585,044 | 514,889 |
| Total expenses | <u>16,605,370</u> | <u>15,995,291</u> |
| Other Changes: | | |
| Gain (loss) on sale of assets | 52,729 | 22,059 |
| Total other changes | <u>52,729</u> | <u>22,059</u> |
| Change in net position | <u>\$ 1,263,600</u> | <u>\$ 1,549,337</u> |

NORTH RIVER COLLABORATIVE
Management's Discussion and Analysis
Year Ended June 30, 2020

The on-behalf payments related to the Massachusetts Teachers' Retirement System and the Massachusetts State Employees' Retirement System increased by approximately \$268,000 and \$553,000, respectively, for fiscal year 2020. During fiscal year 2020, the Collaborative sold transportation vehicles that were fully depreciated, resulting in a gain on the sale of the assets of approximately \$53,000. The Collaborative also experienced an increase in tuition income as a result of increased enrollment at the North River School during fiscal year 2020. As a result of COVID-19, in-person learning and transportation services were suspended. During this time, the Collaborative received discounted transportation payments from the districts and the majority of one-on-one aides, van drivers, and transportation staff were furloughed. Also, the net OPEB expense recognized by the Collaborative during fiscal year 2020 increased approximately \$467,000 from the prior fiscal year. Based on the information above, overall, the total increase in revenues, 1.7%, and total increase in expenditures, 3.8%, is reasonable compared with the prior year.

Governmental Funds Financial Analysis:

As noted earlier, the Collaborative uses fund accounting to ensure and demonstrate its compliance with finance-related legal requirements.

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of approximately \$3.4 million; an increase of approximately \$912,000 from the prior year.

The general fund is the Collaborative's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$2.7 million. As a measure of the general fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. Unassigned fund balance represents 20.2% of total general fund expenditures.

General Fund Budgetary Highlights:

The Collaborative adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. For fiscal year 2020, the Collaborative had actual revenues of approximately \$13.3 million, compared to budgeted revenues of approximately \$14.1 million. The major reasons for the change between budgeted revenues and actual revenues are as follows: (1) increased tuition income as a result of increased enrollment at the North River School in addition to (2) decreases in transportation revenues as a result of the shutdown due to the COVID-19 pandemic. Actual expenditures of the Collaborative were approximately \$12.8 million, compared to budgeted expenditures of \$14.9 million. The major reasons for the change between budgeted expenditures and actual expenditures are as follows: (1) overall reductions in staff and salaries during the year and (2) transportation drivers, transportation administrative staff, one-on-one aides, and certain other employees were laid off as a result of the shutdown due to the COVID-19 pandemic.

Capital Asset and Debt Administration:

Capital Assets:

At the end of fiscal year 2020, the Collaborative had approximately \$3.5 million in capital assets, which is net of accumulated depreciation of approximately \$3.1 million. This is compared to \$3.3 million in capital assets, which is net of accumulated depreciation of \$2.9 million in the previous year.

NORTH RIVER COLLABORATIVE
Management's Discussion and Analysis
Year Ended June 30, 2020

The table below represents a summary of the Collaborative's capital assets, net of accumulated depreciation by category (in thousands):

| <u>Capital Assets</u> | <u>2020</u> | <u>2019</u> |
|------------------------------------|-----------------|-----------------|
| Land | \$ 575 | \$ 575 |
| Buildings and related improvements | 1,688 | 1,750 |
| Improvements other than buildings | 49 | 59 |
| Vehicles | 1,215 | 928 |
| | <u>\$ 3,527</u> | <u>\$ 3,312</u> |

During fiscal year 2020, the Collaborative acquired vehicles costing \$800,000. Additionally, the Collaborative disposed of vehicles costing approximately \$366,000 which were fully depreciated.

Debt Administration:

At the end of the current fiscal year, the Collaborative had total long-term outstanding debt of approximately \$937,000. This is compared to approximately \$1.2 million last year. During the current fiscal year, the Collaborative borrowed approximately \$442,000 to acquire new vehicles. Additionally, they paid down their outstanding loans by approximately \$661,000.

Economic Factors:

The economic impact to the Collaborative resulting from the State of Emergency declared as a result of the outbreak of the novel Coronavirus (COVID-19) cannot be fully determined as of the date of these financial statements.

Requests for Information:

This financial report is designed to provide a general overview of the North River 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 financial information should be addressed to Michael Laliberte, North River Collaborative, 198 Spring Street, Rockland, Massachusetts 02370.

BASIC FINANCIAL STATEMENTS

NORTH RIVER COLLABORATIVE

Statement of Net Position

June 30, 2020

| | Primary Government Governmental Activities |
|---|---|
| ASSETS | |
| Cash, cash equivalents, and investments | \$ 3,949,839 |
| Receivables | 480,286 |
| Prepaid expenses | 33,241 |
| Noncurrent assets: | |
| Capital assets, net of accumulated depreciation | 3,527,078 |
| Total assets | <u>7,990,444</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Associated with OPEB liability | 289,800 |
| Total deferred outflows of resources | <u>289,800</u> |
| LIABILITIES | |
| Accounts and salaries payable and withholdings | 792,413 |
| Accrued interest | 30 |
| Noncurrent liabilities: | |
| Due within one year | 90,631 |
| Due in more than one year | 2,142,538 |
| Total liabilities | <u>3,025,612</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred revenue | 256,285 |
| Associated with OPEB liability | 314,018 |
| Total deferred inflows of resources | <u>570,303</u> |
| NET POSITION | |
| Net investment in capital assets | 2,589,762 |
| Restricted | 713,123 |
| Unrestricted | 1,381,444 |
| Total net position | <u>\$ 4,684,329</u> |

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

NORTH RIVER COLLABORATIVE

Statement of Activities

For the Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------|---------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities |
| Primary government | | | | | |
| Governmental activities: | | | | | |
| Administration | \$ 1,293,468 | \$ | \$ | \$ | \$ (1,293,468) |
| Instruction | 5,573,030 | 314,764 | 650,239 | | (4,608,027) |
| Other school services | 3,377,037 | | | | (3,377,037) |
| Fixed charges | 5,236,697 | | 3,593,216 | | (1,643,481) |
| Operations and maintenance | 465,557 | | | | (465,557) |
| Debt service | 74,537 | | | | (74,537) |
| Depreciation | 585,044 | | | | (585,044) |
| Total governmental activities | \$ 16,605,370 | \$ 314,764 | \$ 4,243,455 | \$ | (12,047,151) |
| General revenues: | | | | | |
| | | | | | 4,821,363 |
| | | | | | 8,200,754 |
| | | | | | 85,512 |
| | | | | | 21,471 |
| | | | | | 30,000 |
| | | | | | 98,922 |
| | | | | | 13,258,022 |
| Special items: | | | | | |
| | | | | | 52,729 |
| | | | | | 52,729 |
| | | | | | 1,263,600 |
| | | | | | 3,420,729 |
| | | | | | \$ 4,684,329 |

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

NORTH RIVER COLLABORATIVE

Balance Sheet - Governmental Funds

June 30, 2020

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Capital Reserve Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------------|---------------------------------|---|---|
| ASSETS | | | | | |
| Cash, cash equivalents, and investments | \$ 3,236,077 | \$ | \$ 688,066 | \$ 25,696 | \$ 3,949,839 |
| Program/intergovernmental receivables | 304,589 | | | 175,697 | 480,286 |
| Interfund receivables | 106,032 | | | | 106,032 |
| Prepaid expenses | 33,241 | | | | 33,241 |
| Total assets | <u>\$ 3,679,939</u> | <u>\$</u> | <u>\$ 688,066</u> | <u>\$ 201,393</u> | <u>\$ 4,569,398</u> |
| LIABILITIES | | | | | |
| Accounts and salaries payable and withholdings | \$ 722,749 | \$ | \$ | \$ 69,664 | \$ 792,413 |
| Interfund payables | | | | 106,032 | 106,032 |
| Total liabilities | <u>722,749</u> | | | <u>175,696</u> | <u>898,445</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred revenue | <u>255,645</u> | | | 640 | 256,285 |
| Total deferred inflows of resources | 255,645 | | | 640 | 256,285 |
| FUND BALANCES | | | | | |
| Restricted | | | 688,066 | 25,057 | 713,123 |
| Unassigned | <u>2,701,545</u> | | | | 2,701,545 |
| Total fund balances | <u>2,701,545</u> | | <u>688,066</u> | <u>25,057</u> | <u>3,414,668</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 3,679,939</u> | <u>\$</u> | <u>\$ 688,066</u> | <u>\$ 201,393</u> | <u>\$ 4,569,398</u> |

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

NORTH RIVER COLLABORATIVE

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2020

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Capital Reserve Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------------------|---------------------------------|---|---|
| REVENUES | | | | | |
| Tuition income | \$ 4,821,363 | \$ | \$ | \$ 314,764 | \$ 5,136,127 |
| Charges for services | 8,200,754 | | | 35 | 8,200,789 |
| Intergovernmental | 1,448,080 | | | 640,320 | 2,088,400 |
| Departmental and other | 21,471 | | | 9,883 | 31,354 |
| Member assessments | 30,000 | | | | 30,000 |
| Interest and investment income (includes \$48,080 in unrealized gains) | 98,922 | | | | 98,922 |
| Total revenues | <u>14,620,590</u> | | | <u>965,002</u> | <u>15,585,592</u> |
| EXPENDITURES | | | | | |
| Administration | 1,238,062 | | | 55,406 | 1,293,468 |
| Instruction | 4,957,233 | | | 615,797 | 5,573,030 |
| Other school services | 3,268,311 | | | 108,726 | 3,377,037 |
| Fixed charges | 2,747,657 | | | 175,539 | 2,923,196 |
| Operations and maintenance | 448,632 | | 11,840 | 5,085 | 465,557 |
| Debt service | 736,118 | | | | 736,118 |
| Capital outlay | | 800,000 | | | 800,000 |
| Total expenditures | <u>13,396,013</u> | <u>800,000</u> | <u>11,840</u> | <u>960,553</u> | <u>15,168,406</u> |
| Revenues over (under) expenditures | 1,224,577 | (800,000) | (11,840) | 4,449 | 417,186 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from long-term debt | | 441,674 | | | 441,674 |
| Transfers in/(out) | (531,846) | 358,326 | 170,000 | 3,520 | |
| Special item: | | | | | |
| Gain on sale of assets | 52,729 | | | | 52,729 |
| Total other financing sources (uses) | <u>(479,117)</u> | <u>800,000</u> | <u>170,000</u> | <u>3,520</u> | <u>494,403</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | 745,460 | | 158,160 | 7,969 | 911,589 |
| Fund balances - beginning | 1,956,085 | | 529,906 | 17,088 | 2,503,079 |
| Fund balances - ending | <u>\$ 2,701,545</u> | <u>\$</u> | <u>\$ 688,066</u> | <u>\$ 25,057</u> | <u>\$ 3,414,668</u> |

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

NORTH RIVER COLLABORATIVE

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2020

| | | |
|---|----|------------------|
| Total governmental fund balances | \$ | 3,414,668 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported as governmental activities in the Statement of Net Position. | | |
| | | 3,527,078 |
| Certain deferred outflows of resources and deferred inflows of resources are reported in the government-wide financial statements to be amortized over future periods: | | |
| Deferred outflows associated with OPEB liability | | 289,800 |
| Deferred inflows associated with OPEB liability | | (314,018) |
| Certain liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities in the Statement of Net Position: | | |
| Long-term debt | | (937,316) |
| Net other postemployment benefits (OPEB) liability | | (1,295,853) |
| Accrued interest | | (30) |
| Net position of governmental activities in the Statement of Net Position | \$ | <u>4,684,329</u> |

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

NORTH RIVER COLLABORATIVE

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds: \$ 911,589

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

Governmental funds report capital outlays as expenditures because such outlays use current financial resources. However, in the Statement of Activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense:

| | |
|---|-----------|
| Capital asset additions during the fiscal year | 800,000 |
| Depreciation expense recorded for the fiscal year | (585,044) |

Certain deferred outflows of resources and deferred inflows of resources are reported in the government-wide financial statements to be amortized over future periods:

| | |
|--|-----------|
| Net change in deferred outflows associated with OPEB | (5,704) |
| Net change in deferred inflows associated with OPEB | (137,216) |

Governmental funds report bond proceeds as current financial resources whereas the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities:

| | |
|--------------------------------------|-----------|
| Principal payments on long-term debt | 660,564 |
| Issuance of long-term debt | (441,674) |

The fund financial statements record interest on long-term debt when due. The government-wide financial statements report interest on long-term debt as an expense when incurred:

| | |
|--|-------|
| Net change in accrued interest expense | 1,017 |
|--|-------|

Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements; however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities:

| | |
|------------------------------|--------|
| Net change in OPEB liability | 60,068 |
|------------------------------|--------|

Change in net position of governmental activities \$ 1,263,600

NORTH RIVER COLLABORATIVE
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2020

| | Retiree Health Insurance Trust Fund |
|--|--|
| ASSETS | |
| Investments: | |
| Money market funds | \$ 8,091 |
| U.S. governments and agencies | 217,496 |
| Corporate bonds | 90,529 |
| Fixed income mutual funds | 199,803 |
| Equities | 988,879 |
| Equity mutual funds | 725,864 |
| Total investments | 2,230,662 |
| Total assets | 2,230,662 |
| NET POSITION | |
| Restricted for postemployment benefits other than pensions | 2,230,662 |
| Total net position | \$ 2,230,662 |

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

NORTH RIVER COLLABORATIVE
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2020

| | <u>Retiree Health Insurance Trust Fund</u> |
|--|---|
| ADDITIONS | |
| Contributions: | |
| Employer contributions | \$ 160,000 |
| Employee contributions | 64,452 |
| Total contributions | <u>224,452</u> |
| Investment income: | |
| Net increase of fair value of investments | 20,112 |
| Interest and dividends | 62,558 |
| Less: investment expense | <u>(9,205)</u> |
| Net investment income | <u>73,465</u> |
| Total additions | <u>297,917</u> |
| DEDUCTIONS | |
| Benefit payments | 126,672 |
| Administrative expense | <u>1,900</u> |
| Total deductions | <u>128,572</u> |
| Net increase in net position | <u>169,345</u> |
| NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS | |
| Beginning of year | <u>2,061,317</u> |
| End of year | <u><u>\$ 2,230,662</u></u> |

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

NOTE 1. ORGANIZATION AND REPORTING ENTITY

A. Organization

The North River Collaborative (the Collaborative), located in Rockland, Massachusetts, was formed in 1976 as authorized under Massachusetts General Laws (M.G.L.) Chapter 40 Section 4E. The Collaborative is a public entity formed as an educational organization by the Collaborative Agreement between the school committees of Abington, Avon, Bridgewater-Raynham Regional School District, East Bridgewater, Hanover, Holbrook, Rockland, Stoughton, West Bridgewater, and Whitman-Hanson Regional School District. The mission of the Collaborative is to serve as an extension of the member school districts to cooperatively develop and deliver high-quality and cost-effective programs and services for students, school districts, partner organizations as permitted by law, and communities.

The Collaborative is a municipal entity, and as such, is exempt from income taxation.

B. 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* (GASB), the accompanying financial statements present the North River Collaborative (the primary government) and its component units.

Primary Government – The Collaborative is governed by a ten (10) member Board of Directors (the Board) composed of the superintendents of schools of each member district. Additionally, the Commissioner of Elementary and Secondary Education appoints an individual to serve as a voting, appointed representative of the Board.

Component Units – Component units are included in the Collaborative’s reporting entity if their operational and financial relationships with the Collaborative are significant. Refer to Note 15 regarding the North River Collaborative Retirees’ Health Insurance Trust, a fiduciary component unit. Pursuant to these criteria, the Collaborative did not identify any additional component units requiring inclusion in the accompanying financial statements for the year ended June 30, 2020.

Joint Ventures – Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to its participants, the public, or others. For fiscal year 2020, the Collaborative did not participate in any significant joint ventures, except for a cost-sharing group that provides health insurance benefits. Additional disclosures are presented in these notes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Collaborative’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The *Governmental Accounting Standards Board* (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the Collaborative are discussed below.

The Collaborative’s basic financial statements include both government-wide (reporting the Collaborative as a whole) and fund financial statements (reporting the Collaborative’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. The Collaborative does not have any activities classified as business-type activities.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Government-wide Financial Statements

In the government-wide Statement of Net Position, the 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 components: net investment in capital assets, restricted net position, and unrestricted net position. The Collaborative first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the sources and uses of funds received by the Collaborative. Certain costs, such as employee fringe benefits and property and liability insurance, among others, are not allocated among the Collaborative's functions and are included in fixed charges expenses in the Statement of Activities. Depreciation is reported as one unallocated amount in the Statement of Activities. None of these costs are allocated among the respective functions.

The government-wide focus is more on the sustainability of the Collaborative as an entity and the change in the Collaborative's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Collaborative are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Additionally, the Collaborative may electively report any other governmental fund which has specific community focus as a major fund. Non-major funds are combined in a column in the fund financial statements titled other governmental funds.

The Collaborative's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose trust funds). 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 financial statements.

The following describes fund types which may be used by the Collaborative; the Collaborative does not use proprietary funds:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

Major Funds:

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

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

- Capital Projects Fund – The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition and construction of capital facilities and other capital assets.
- Capital Reserve Fund – The capital reserve fund is used to support costs associated with the acquisition, maintenance, and improvement of capital assets, including real property established in accordance with Massachusetts General Laws and the implementing regulations of 603 CMR 50.00; accordingly, the Collaborative has decided to report the capital reserve fund as a major fund for financial statement presentation purposes.

Other governmental funds consist of other special revenue, permanent, and other funds that are aggregated and presented in the other governmental funds' column in the governmental fund financial statements. The following describes the general use of these funds:

- Special revenue funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. These funds include the Collaborative's grant programs.
- Debt service funds – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Currently, the Collaborative does not utilize a debt service fund.
- Permanent funds – Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Collaborative's programs. Currently, the Collaborative does not utilize any permanent 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 and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Collaborative:

- Retiree Health Insurance Trust Fund – This fund is a fiduciary fund that is used to report resources required to be held in trust for the members and beneficiaries of the Collaborative's other postemployment benefits plan, other than pensions. See Note 15.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues in the government-wide financial statements include: (1) tuition charges to districts for the Independence Academy; (2) operating grants and contributions; and (3) capital grants and contributions.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

The governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments, and postemployment health care benefits, which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Entitlements and shared revenues are recorded at the time of receipt, or earlier, if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

C. Fair Value Measurements

The Collaborative measures assets, with the exception of capital assets, and liabilities according to the hierarchy established by GAAP. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are the assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk. The following levels are considered:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 inputs – pricing inputs that are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are not directly observable for an asset or a liability.
- Level 3 inputs – unobservable pricing inputs for an asset or a liability that should only be used if relevant Level 1 and Level 2 inputs are not available.

The Collaborative considers most assets and liabilities to be reported as Level 1 inputs; however, see accompanying notes for additional information regarding investments, capital assets, and net OPEB liabilities.

D. Cash, Cash Equivalents, and Investments

The Collaborative considers cash and cash equivalents to be cash on hand, certificates of deposit, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) have a present service capacity based solely on their ability to generate cash or be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by GAAP. Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended, and should be measured at the net asset value per share provided by the pool.

The Collaborative maintains deposits and investments in accordance with Massachusetts General Laws and adopted policies. Additional cash and investment disclosures are presented in these Notes.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

E. Inventories

The Collaborative currently does not report any inventories for financial reporting purposes. The Collaborative reports food and supplies purchased in the food service program as expenditures when purchased, rather than when the food and supplies are consumed. The Collaborative has determined any amounts not consumed at year-end to be immaterial to the Collaborative's financial statements.

F. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and due from other funds." Short-term interfund loans are reported as "interfund receivables and interfund payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and advances to other funds." Interfund receivables and interfund payables between funds within governmental activities are eliminated in the Statement of Net Position.

G. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Collaborative considers all of its receivables to be collectible and does not report an allowance for uncollectible accounts.

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, donated works of art, historical treasures, and similar assets, which are recorded at their acquisition value (entry price) at the date of donation. The Collaborative defines capital assets, which include land, buildings and improvements, and furniture and equipment, as assets with a per unit cost of \$5,000 or more and an estimated useful life of one year or more. The cost of normal maintenance and repairs that do not add to the value or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects as constructed.

Depreciation of all exhaustible capital 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 of assets is as follows:

| | |
|--------------------------------------|------------|
| ➤ Buildings | 40 years |
| ➤ Building improvements | 20 years |
| ➤ Infrastructure | 20 years |
| ➤ Machinery, equipment, and vehicles | 5-10 years |

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.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

I. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets when applicable. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in the government-wide and fund financial statements based upon the nature of the items.

J. Liabilities

Liabilities represent present obligations to sacrifice resources for which the government has little or no discretion to avoid. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle from the acquisition of goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities, such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long-term) obligations are not reported as liabilities in the fund financial statements but are reported in the government-wide statements. Such obligations consist primarily of bonds payable, capital leases, and other postemployment benefits.

K. Compensated Absences

The Collaborative's policies and provisions regarding vacation and sick time permit certain employees to accumulate earned but unused vacation and sick leave. Upon termination, employees will be paid for earned, unused vacation time under the Collaborative's vacation time policy. There is no reimbursement for earned, unused sick time. The liability for these compensated absences (vacation time) is recorded as a liability in these financial statements.

L. Equity Classifications

Government-wide Financial Statements

Equity is classified as net position in the government-wide financial statements and is displayed in three components:

- Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted: This component of net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on specific purposes for which amounts in the funds can be spent. The Collaborative's spending policy is to spend restricted fund balance first, followed by committed, assigned, and then unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in accordance with the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

Fund balances can be classified in the following components:

- Nonspendable fund balance: includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) they are legally or contractually required to be maintained intact.
- Restricted fund balance: includes amounts subject to constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) that are imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance: includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Collaborative's highest level of decision-making authority (the Board of Directors). Any modification or rescission must also be made by a vote of the Board of Directors.
- Assigned fund balance: includes amounts that are constrained by the Collaborative's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by either (a) the governing body itself; or (b) a body or an official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Amounts are assigned based upon approval by the Executive Director and Director of Business Services through the Collaborative's procurement and budgetary processes.
- Unassigned fund balance: includes the residual classification for the remaining fund balance. This classification represents amounts that have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

N. Total Columns

The total column presented on the government-wide financial statements represents consolidated financial information.

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Massachusetts State Employees' Retirement System and the Massachusetts Teachers' Retirement System and additions to/deductions from the Systems' fiduciary net positions have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North River Collaborative Other Postemployment Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for MMDT and money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget Process

Generally accepted accounting principles require the presentation of actual results compared to legally adopted budgets. Under M.G.L., the Collaborative is required to adopt an annual operating budget for its general fund in accordance with the provisions of 603 CMR 50.07.

Under the terms of the Collaborative agreement, costs are apportioned and charged to each member in the form of tuition. The calculation of the apportionment to each member is based on the number of enrollments from each member in relation to total enrollments. These tuition charges may be reduced by budgeted credits from other sources or by a portion of any surplus as determined by the Board of Directors.

A comparison of actual results to budgeted amounts for the general fund is included as required supplementary information in the accompanying pages of these financial statements.

Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies, and therefore, are not considered legally adopted budgets required to be presented as required supplementary information.

B. Fund Equities

Operations of the various Collaborative funds for fiscal year 2020 were funded in accordance with the General Laws of Massachusetts. The Collaborative classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes; the residual amounts are classified as unassigned fund balance.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

As of June 30, 2020, the classification of the Collaborative’s fund balances can be detailed as follows:

| | <u>General Fund</u> | <u>Capital Reserve Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|----------------------|---------------------|-----------------------------|---------------------------------|---------------------|
| Restricted: | | | | |
| Grants/donations | \$ | \$ | \$ 25,057 | \$ 25,057 |
| Capital improvements | | 688,066 | | 688,066 |
| Total restricted | | 688,066 | 25,057 | 713,123 |
| Unassigned: | 2,701,545 | | | 2,701,545 |
| Total fund balances | <u>\$ 2,701,545</u> | <u>\$ 688,066</u> | <u>\$ 25,057</u> | <u>\$ 3,414,668</u> |

C. Restricted Net Position

The following table illustrates the Collaborative’s restricted net position as reported on the government-wide financial statements as of June 30, 2020:

| | |
|-------------------------------|-------------------|
| Capital reserve fund | \$ 688,066 |
| Special revenue funds | 25,057 |
| Total restricted net position | <u>\$ 713,123</u> |

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Massachusetts General Laws (M.G.L.), Chapter 44, Sections 54 and 55, place certain limitations on cash deposits and investments available to the Collaborative. The OPEB trust fund (fiduciary fund) is invested in accordance with M.G.L. Chapter 203C. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. The Collaborative may also invest in the Massachusetts Municipal Depository Trust (MMDT) – an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts.

Cash deposits are reported at carrying amount, which reasonably approximates fair value. The Collaborative has adopted formal deposit and investment policies.

The Collaborative maintains its deposits at authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Collaborative’s deposits may not be returned. At June 30, 2020 bank deposits totaled \$688,196 and had a carrying amount of \$456,195. Of the deposit amounts, \$203,617 was exposed to custodial credit risk at June 30, 2020 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

The Collaborative’s investments, including those of the Retiree Health Insurance Trust Fund (fiduciary fund), as of June 30, 2020 consisted of the following:

| <u>Investment Type</u> | <u>Value</u> | <u>Measurement</u> | <u>Rating</u> | <u>Maturity</u> | | |
|---------------------------------|---------------------|--------------------|---------------|-------------------------|-------------------|-------------------|
| | | | | <u>Less Than 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> |
| Governmental Funds: | | | | | | |
| MMDT | \$ 2,325,005 | amortized cost | unrated | \$ 2,325,005 | \$ | \$ |
| Money Market Funds | 23,892 | amortized cost | unrated | 23,892 | | |
| Fixed Income Mutual Funds | 91,934 | Level 1 | unrated | 91,934 | | |
| U.S. Governments & Agencies | 1,052,813 | Level 1 | AA+ | 151,299 | 729,686 | 171,828 |
| Total Governmental Funds | <u>\$ 3,493,644</u> | | | <u>\$ 2,592,130</u> | <u>\$ 729,686</u> | <u>\$ 171,828</u> |

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

| Investment Type | Value | Measurement | Rating | Maturity | | |
|------------------------------|---------------------|----------------|-----------|---------------------|-------------------|------------------|
| | | | | Less Than 1 Year | 1-5 Years | 6-10 Years |
| Fiduciary Funds: | | | | | | |
| Money Market Funds | \$ 8,091 | amortized cost | unrated | \$ 8,091 | \$ | \$ |
| U.S. Governments & Agencies | 217,496 | Level 1 | AA+ | 10,073 | 137,738 | 69,685 |
| Corporate Bonds | 90,529 | Level 1 | A- to AA+ | | 90,529 | |
| Fixed Income Mutual Funds | 199,803 | Level 1 | unrated | 199,803 | | |
| Equities | 988,879 | Level 1 | unrated | 988,879 | | |
| Equity Mutual Funds | 725,864 | Level 1 | unrated | 725,864 | | |
| Total Fiduciary Funds | <u>\$ 2,230,662</u> | | | <u>\$ 1,932,710</u> | <u>\$ 228,267</u> | <u>\$ 69,685</u> |

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The Collaborative has investment policies covering custodial credit risk.

Governmental Funds: The Collaborative may deposit or invest funds as allowed by Massachusetts General Laws, Chapter 44, Sections 54 and 55. The Collaborative may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof having a maturity from the date of purchase of one year or less. The Collaborative may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from the date of purchase. The Collaborative may also invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts.

Fiduciary Funds: The Collaborative will engage only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The Collaborative has formal investment policies which address interest rate risk.

Governmental Funds: Interest rate risk for governmental funds is minimized by investing funds not required for operations or invested in approved fixed income securities or MMDT, in certificates or instruments not exceeding four years.

Fiduciary Funds: The investment manager will manage interest rate risk by managing duration in the account.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and are not required to be rated; however, the Collaborative's investment in U.S. Treasuries & Agencies of \$1,270,309 has a credit rating of AA+. Equity securities and equity mutual funds are not rated as to credit risk. The Collaborative has formal investment policies which address credit risk.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Governmental Funds: The Collaborative will minimize credit risk by depositing funds, not required for current operations or required to meet average daily balance requirements, or covered by depository insurance and investor protection in obligations of or guaranteed by the U.S. government or those approved under Massachusetts General Laws Chapter 44, Sections 54 and 55.

Fiduciary Funds: The investment manager will purchase investment grade securities with a high concentration in securities rated A or better at the time of purchase. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange traded funds. There will be no limit to the amount of United States Treasury and United States Agency obligations.

The credit ratings associated with the corporate bonds reported in the fiduciary activities (based upon Moody's ratings) are as follows:

| | <u>Rating</u> | <u>Value</u> | <u>Maturity</u> |
|------------------------------|---------------|------------------|-----------------|
| Apple Inc 2.4% | AA+ | \$ 31,712 | 1-5 years |
| JP Morgan Chase & Co. 3.625% | A- | 27,608 | 1-5 years |
| Target Corp 2.9% | A | 31,209 | 1-5 years |
| Total | | <u>\$ 90,529</u> | |

Concentration of credit risk is the risk that the Collaborative's potential losses from credit risk are heightened if a significant portion of the Collaborative's funds are invested with a single issuer or institution. As mentioned above in credit risk, obligations of or guaranteed by the U.S. government are not considered to be exposed to credit risk. The Collaborative has formal investment policies which address concentration of credit risk.

Governmental Funds: The Collaborative will minimize this risk by depositing funds, not required for current operations or required to meet average daily balance requirements, not in excess of: (a) \$1,000,000 in Rockland Trust Investment Management Group (invested in obligations of or guaranteed by the U.S. government or those approved under Massachusetts General Laws Chapter 44, Sections 54 and 55) or (b) \$2,000,000 in MMDT (an external investment pool managed by the Treasurer of the Commonwealth). Additionally, the Collaborative will annually obtain credit ratings on its banks as a measure of due diligence.

Fiduciary Funds: The investment manager will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

NOTE 5. RECEIVABLES

The Collaborative reports the total amount of receivables in the accompanying Statement of Net Position and Balance Sheet. As of June 30, 2020, the Collaborative had the following receivables:

| | |
|-------------------------------------|-------------------|
| Intergovernmental/grant receivables | \$ 175,697 |
| Member & non-member receivables | 304,589 |
| Total | <u>\$ 480,286</u> |

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

NOTE 6. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

At June 30, 2020, the Collaborative reported the following deferred outflows of resources and deferred inflows of resources:

| Deferred Outflows of Resources | June 30, 2020 |
|---|----------------------|
| Appropriated with net OPEB liability: | |
| Differences between actual & expected experience | \$ 27,921 |
| Changes of assumptions | 172,424 |
| Net difference between projected & actual earnings on OPEB plan investments | 89,455 |
| Total deferred outflows of resources | \$ 289,800 |
| | |
| Deferred Inflows of Resources | June 30, 2020 |
| Deferred revenues: | |
| Advanced member payments | \$ 156,012 |
| Tuition credits | 64,075 |
| Transportation credits | 35,558 |
| Deferred grant revenue | 640 |
| Subtotal: | 256,285 |
| Associated with net OPEB liability: | |
| Differences between actual & expected experience | 151,285 |
| Changes of assumptions | 157,326 |
| Net difference between projected & actual earnings on OPEB plan investments | 5,407 |
| Subtotal: | 314,018 |
| Total deferred inflows of resources | \$ 570,303 |

NOTE 7. INTERFUND BALANCES AND ACTIVITY

As of June 30, 2020, the Collaborative's general fund was owed \$106,032 from various governmental funds. During fiscal year 2020, interfund transfers consisted of the following:

| Purpose | General Fund | Capital Projects Fund | Capital Reserve Fund | Other Governmental Funds |
|---|---------------------|----------------------------------|---------------------------------|---|
| Appropriated transfers between the following funds: | | | | |
| Transfers from general fund to: | | | | |
| Capital reserve fund | \$ (170,000) | \$ | \$ 170,000 | \$ |
| Capital projects fund | (358,326) | 358,326 | | |
| Independence Academy fund | (3,520) | | | 3,520 |
| Net transfers | \$ (531,846) | \$ 358,326 | \$ 170,000 | \$ 3,520 |

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balances</u> |
|---------------------------------------|-------------------------------|-------------------|------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 575,000 | \$ | \$ | \$ 575,000 |
| Capital assets being depreciated: | | | | |
| Buildings and related improvements | 2,500,623 | | | 2,500,623 |
| Improvements other than buildings | 202,470 | | | 202,470 |
| Equipment and machinery | 32,200 | | | 32,200 |
| Vehicles | 2,917,041 | 800,000 | (366,264) | 3,350,777 |
| Subtotal | <u>5,652,334</u> | <u>800,000</u> | <u>(366,264)</u> | <u>6,086,070</u> |
| Less accumulated depreciation: | | | | |
| Buildings and related improvements | 750,191 | 62,516 | | 812,707 |
| Improvements other than buildings | 143,654 | 10,124 | | 153,778 |
| Equipment and machinery | 32,200 | | | 32,200 |
| Vehicles | 1,989,167 | 512,404 | (366,264) | 2,135,307 |
| Subtotal | <u>2,915,212</u> | <u>585,044</u> | <u>(366,264)</u> | <u>3,133,992</u> |
| Governmental capital assets, net | <u>\$ 3,312,122</u> | <u>\$ 214,956</u> | <u>\$</u> | <u>\$ 3,527,078</u> |

Depreciation expense of \$585,044 was not allocated to governmental functions. It appears unallocated in the Statement of Activities.

NOTE 9. LONG-TERM OBLIGATIONS

Long-term Obligations Related to Debt

Changes in long-term obligations for the year ended June 30, 2020 are as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> | <u>Due Within One Year</u> |
|---|-------------------------------|-------------------|---------------------|----------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Industrial development bond | \$ 730,432 | \$ | \$ (192,439) | \$ 537,993 | \$ 40,893 |
| Notes from direct borrowings/ capital leases | 425,774 | 441,674 | (468,125) | 399,323 | 49,738 |
| Total | <u>\$ 1,156,206</u> | <u>\$ 441,674</u> | <u>\$ (660,564)</u> | <u>\$ 937,316</u> | <u>\$ 90,631</u> |

The Collaborative's outstanding industrial development bond related to governmental activities of \$537,993 is secured with collateral of (1) a first mortgage on the land and improvements located at the property together with the assignment of all leases and rents of the property and (2) a first security interest in all of the Collaborative's personal property located on that property. Additionally, the industrial development bond agreement contains the following significant provisions: (1) the loan is subject to a 1.1 times debt service coverage covenant, measured annually; and (2) in the event of a default, all outstanding amounts become immediately due if the Collaborative is unable to make payment.

The Collaborative's outstanding notes from direct borrowings of \$399,323 are secured with collateral of first priority interest in vehicles purchased with loan proceeds. Additionally, each of the notes contain a provision that in the event of a default, outstanding amounts become immediately due if the Collaborative is unable to make payment.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Additional detail of the Collaborative’s long-term debt is as follows:

| <u>Purpose</u> | <u>Issue Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Year-End Balance</u> |
|-------------------------------|---------------------|----------------------|----------------------|-------------------------|
| Industrial Development Bond: | | | | |
| North River School building | \$ 2,100,000 | 2/14/2027 | Adjustable | \$ 537,993 |
| Notes from Direct Borrowings: | | | | |
| Transportation vehicles | \$ 543,156 | 7/27/2020 | 2.17% | 11,781 |
| Transportation vehicles | \$ 419,098 | 5/28/2022 | 3.63% | 110,445 |
| Transportation vehicles | \$ 441,674 | 5/28/2028 | 3.59% | 228,068 |
| Transportation vehicles | \$ 78,946 | 11/28/2022 | 3.99% | 49,029 |
| | | | Total: | <u>\$ 937,316</u> |

The Collaborative has a working capital line of credit agreement of \$500,000 and a guidance line of credit of \$150,000 with Rockland Trust Bank expiring on September 30, 2021 and June 30, 2021, respectively. The \$500,000 working capital line of credit bears interest at an annual rate of the aggregate rate of the prime rate plus 0% per annum. However, under no circumstance shall the interest rate payable on the loan be less than 0% per annum. The \$150,000 guidance line of credit bears interest at the FHLBB rate plus 2.65% fixed rate on notes advanced under the line or prevailing promotional rates in effect at the time of advance, if applicable. However, under no circumstance shall the interest rate payable on the loan be less than 3.50% per annum. Both lines are reviewed annually and are due on demand. Both of the lines of credit are subject to a 1.1 times debt service covenant, measured annually. The approval of the Board of Directors is required prior to borrowing against the lines of credit. As of June 30, 2020, and for the year then ended, there were no borrowings against either of the lines of credit.

Debt services requirements on long-term debt at June 30, 2020 are as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | | | |
|-----------------------------|--------------------------------|------------------|-------------------------------------|------------------|
| | <u>Bonds</u> | | <u>Notes from Direct Borrowings</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 40,893 | \$ 5,368 | \$ 49,738 | \$ 2,636 |
| 2022 | 125,229 | 13,554 | 234,229 | 8,765 |
| 2023 | 129,141 | 9,642 | 115,356 | 2,011 |
| 2024 | 133,175 | 5,608 | | |
| 2025 | 109,555 | 1,500 | | |
| | <u>\$ 537,993</u> | <u>\$ 35,672</u> | <u>\$ 399,323</u> | <u>\$ 13,412</u> |

Other Long-term Obligations

Additional long-term obligations of the Collaborative for the year-ended June 30, 2020 are as follows. Refer to Note 13 – Employee Benefits.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions/ Payments</u> | <u>Ending Balance</u> |
|---|--------------------------|------------------|-----------------------------|-----------------------|
| Governmental Activities | | | | |
| Net other postemployment benefits liability | \$ 1,355,921 | \$ 505,330 | \$ (565,398) | \$ 1,295,853 |

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

NOTE 10. OPERATING LEASES

The Collaborative leased classrooms and administrative space at several locations during fiscal year 2020, as well as space for the Independence Academy, which is an alternative multi-service secondary school serving adolescents with substance abuse and dependence problems. Total rent expense for all operating leases totaled \$293,063 for fiscal year 2020, with \$110,000 relating to the Independence Academy. Subject to annual review, the lease agreements expire on various dates through fiscal year 2023 with the exception of the lease agreement with Rockland Public Schools for administrative office space at the Almshouse, which expires in fiscal year 2029.

A summary of the future lease payments is as follows:

| | | |
|-----------|----|----------------|
| FY21 | \$ | 183,063 |
| FY22 | | 110,563 |
| FY23 | | 80,563 |
| FY24 | | 35,563 |
| FY25 | | 36,630 |
| FY26-FY29 | | <u>146,520</u> |
| Total: | \$ | <u>592,902</u> |

NOTE 11. DUE TO MEMBER SCHOOL DISTRICTS

In accordance with Massachusetts General Laws, unexpended general (surplus) funds may either be carried forward and used in the Collaborative's subsequent budget cycles or refunded to the member districts. On an annual basis, the Board of Directors votes to retain the cumulative surplus funds for the Collaborative's use or return all, or some portion, of the funds to the member districts. The amounts owed to the members are either returned or credited to the member's account to offset billings for future programs and services. The Board did not authorize any surplus funds to be returned to members for fiscal year 2020.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The Collaborative receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies, principally the Federal and State governments. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, however, the Collaborative believes such amounts, if any, would be immaterial.

Various legal actions and claims are pending against the Collaborative. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if at, at June 30, 2020 cannot be ascertained, management believes any resulting liability would not materially affect the financial position of the Collaborative at June 30, 2020.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

NOTE 13. EMPLOYEE BENEFITS

A. Compensated Absences

Employees are granted vacation leave under the terms of their employment contracts or Collaborative policy up to a maximum of six (6) weeks. Five to ten days of vacation time may be carried forward to the next fiscal year with prior approval of the Executive Director. Employees are entitled to accumulate sick leave up to a maximum of one hundred (100) days. Collaborative policy does not allow for compensation for unused sick leave, if any, when an employee's service is terminated by resignation, death, or retirement. At June 30, 2020, the accrued liability for vacation time was approximately \$40,000 and is reflected in accounts and salaries payable and withholdings in the accompanying financial statements.

B. Pension Plans

Special Funding Situation – Massachusetts Teachers' Retirement System (MTRS)

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multiple employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts (the Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributing entity and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's Comprehensive Annual Financial Report (CAFR) may be obtained by visiting <https://www.macomptroller.org/cafr>.

Management of the MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members – two elected by the MTRS members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, the Commissioner of Education (or their designee) who serves ex-officio as the Chairman of the MTRB, and one who is chosen by the six other MTRB members.

The Commonwealth is a nonemployer contributing entity and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the Collaborative, are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the Collaborative does not contribute directly to MTRS, there is no net pension liability for the Collaborative to recognize. However, the Collaborative must disclose the portion of the nonemployer contributing entity's share of the collective net pension liability that is associated with the Collaborative. In addition, the Collaborative must recognize its portion of the collective pension expense as both a revenue and a pension expense.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (M.G.L.) 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 credible service, 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 M.G.L. 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 as indicated below. Costs of administering the plan are funded out of plan assets.

Contributions

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 |

In addition, members who join the system on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in Retirementplus, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of credible service.

The total of Commonwealth provided contributions has been allocated based on the ratio of each employer's covered payroll to the total covered payroll (approximately \$7,277,148,000) of employers in MTRS as of the measurement date of June 30, 2019. In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Collaborative is required to recognize its proportional share of pension revenue and expenses, as reported by MTRS, as on-behalf payments in its financial statements. As of June 30, 2020, the Collaborative recognized \$1,634,888 of on-behalf revenues and expenses in its Statement of Activities and \$771,937 of on-behalf revenues and expenditures in its Statement of Revenues, Expenditures, and Changes in Fund Balances.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Pension Liabilities and Expenses Related to Pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Collaborative:

| | <u>2019</u> |
|---|--------------------------|
| Total pension liability | \$ 54,751,000,000 |
| Less: Plan fiduciary net position | 29,536,980,000 |
| Net pension liability | <u>\$ 25,214,020,000</u> |
| Plan fiduciary net position as a percentage of total pension liability | 53.95% |
| Commonwealth's proportionate share of the collective net pension liability associated with the Collaborative | \$ 13,481,684 |
| Commonwealth's proportionate share of the collective pension expense associated with the Collaborative | \$ 1,634,888 |
| Commonwealth's proportionate share of the collective net pension liability as a percentage of the total associated with the Collaborative | 0.053% |

The Commonwealth's proportionate share of pension expense has been included in the Collaborative's Statement of Revenues, Expenditures, and Changes in Fund Balances as intergovernmental revenues and as fixed charges expenditures. In the Statement of Activity, these amounts are reported as program revenues from operating grants and contributions and as fixed charges expenses. Since the Collaborative is considered to be in a special funding situation and does not contribute directly to MTRS, the Collaborative does not record a net pension liability in the Statement of Net Position.

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (1) (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund, and (c) 3.00% cost of living increase on the first \$13,000 of allowance per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with MP-2016 (gender distinct).
- (4) Experience study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| Global Equity | 39.0% | 4.9% |
| Core Fixed Income | 15.0% | 1.3% |
| Private Equity | 13.0% | 8.2% |
| Portfolio Completion Strategies | 11.0% | 3.9% |
| Real Estate | 10.0% | 3.6% |
| Value Added Fixed Income | 8.0% | 4.7% |
| Timberland/Natural Resources | 4.0% | 4.1% |
| Total | <u>100.0%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2019. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

| | <u>1% Decrease to 6.25%</u> | <u>Current Discount Rate 7.25%</u> | <u>1% Increase to 8.25%</u> |
|-------------------------------------|-----------------------------|------------------------------------|-----------------------------|
| MTRS - Total Plan | \$ 31,232,100 | \$ 25,214,020 | \$ 20,062,500 |
| Collaborative's proportionate share | \$ 16,699 | \$ 13,482 | \$ 10,727 |

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Special Funding Situation – Massachusetts State Employees’ Retirement System (MSERS)

Plan Description

The Massachusetts State Employees’ Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost-sharing multiple employer defined benefit pension plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of independent authorities and agencies. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of MSERS upon the creation of the Massachusetts Department of Transportation (MassDOT). Other employees who transferred to MassDOT have been, and remain, members of MSERS. The assets and liabilities of the former MTA have been transferred to MSERS. MSERS is part of the Commonwealth’s reporting entity and does not issue a stand-alone audited financial report. The Commonwealth’s Comprehensive Annual Financial Report (CAFR) may be obtained by visiting <https://www.macomptroller.org/cafr>.

Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB) which consists of five members – two elected by current and active MSERS members, one who is appointed by the State Treasurer, the State Treasurer who serves as ex-officio and is the Chair of the MSRB, and one by the remaining members of the MSRB.

Benefits Provided

MSERS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (M.G.L.) 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 credible service, group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

The MSERS’ funding policies have been established by Chapter 32 of the M.G.L. 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.

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 except for State Police which is 12% of regular compensation |
| 1979 to present | An additional 2% of regular compensation in excess of \$30,000 |

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

For fiscal year 2020, actual contributions made by the Commonwealth to MSERS on-behalf of the Collaborative totaled \$590,631.

Educational Collaboratives

A special funding situation was created by M.G.L. for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% 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. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Therefore, the Collaborative does not have a net pension liability.

The total of the Commonwealth provided contributions has been allocated based on the ratio of each employer's covered payroll to the total covered payroll of employers in MSERS as of the measurement date of June 30, 2019. The Collaborative's required contribution to MSERS equaled its actual contribution for 2019, which was \$211,579 and 5.6% of covered payroll.

As of June 30, 2019, the Commonwealth's proportionate share of the collective net pension liability associated with the North River Collaborative was .08056% or \$11,788,994. As this is a special funding situation, a liability is not recorded on the Collaborative's Statement of Net Position. The Collaborative contributed approximately \$266,000 to MSERS during fiscal year 2020.

In the Statement of Activities, the Collaborative recognized its proportionate share of the Commonwealth's pension expense in the amount of \$1,958,328 as program revenues from operating grants and contributions and as fixed charges expenses. In the Statement of Revenues, Expenditures, and Changes in Fund Balances, the Collaborative recognized the Commonwealth's actual contributions in the amount of \$590,631 as intergovernmental revenues and fixed charges expenditures.

The following table illustrates the Plan's collective net position liability at June 30, 2019:

| | |
|---|--------------------------|
| | 2019 |
| Total pension liability | \$ 43,398,000,000 |
| Less: Plan fiduciary net position | 28,763,796,000 |
| Net pension liability | <u>\$ 14,634,204,000</u> |
| | |
| Plan fiduciary net position as a percentage of total pension liability | 66.28% |

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (1) (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund, and (c) 3.00% cost of living increase on the first \$13,000 of allowance each year.

NORTH RIVER COLLABORATIVE

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(2) Salary increases are based on analyses of past experience but range from 4.00% to 9.00% depending on group and length of service.

(3) Mortality rates were as follows:

- Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016, set forward 1 year for females.
- Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year for females.
- Disability – the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year.

(4) Experience studies were performed as follows:

- Dated February 27, 2014 and encompass the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.

Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2019 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|--------------------------|---|
| Global Equity | 39.0% | 4.9% |
| Core Fixed Income | 15.0% | 1.3% |
| Private Equity | 13.0% | 8.2% |
| Portfolio Completion Strategies | 11.0% | 3.9% |
| Real Estate | 10.0% | 3.6% |
| Value Added Fixed Income | 8.0% | 4.7% |
| Timberland/Natural Resources | 4.0% | 4.1% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2019. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

| | 1% Decrease to 6.25% | Current Discount Rate 7.25% | 1% Increase to 8.25% |
|-------------------------------------|---------------------------------|--|---------------------------------|
| MSERS - Total Plan | \$ 19,478,600 | \$ 14,634,204 | \$ 10,494,900 |
| Collaborative's proportionate share | \$ 15,692 | \$ 11,789 | \$ 8,454 |

C. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The North River Collaborative administers the North River Collaborative Other Postemployment Benefits Plan (the Plan) – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) to retirees, their dependents, and beneficiaries. Contributions for the funding of these benefits are provided through the North River Collaborative Retirees’ Health Insurance Trust (the Trust), as described in Note 15.

Benefits Provided

The Plan provides health and dental benefits to retirees, their dependents, and beneficiaries. Benefits are provided through the Mayflower Municipal Health Group, a third-party insurer, which administers, assumes, and pays all claims of the Plan.

The following provides descriptions of the retiree medical insurance program and the dental insurance program:

Retiree Medical Insurance Program:

- Plan Type: Comprehensive medical insurance offered through Blue Cross Blue Shield of Massachusetts and Harvard Pilgrim Healthcare.
- Administrator: North River Collaborative
- Eligibility: An employee hired before April 2, 2012 shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service or an employee shall be able to retire with 20 years of service regardless of age. Those hired on or after April 2, 2012 shall be eligible to retire upon attainment of age 60 with 10 years of creditable service.
- Cost Sharing: The employer shall pay 55% of the premiums for an individual medical policy. If a retiree chooses family coverage, there will be no employer subsidy beyond that 55% paid for the individual policy. As such, the retiree shall pay 45% for an individual policy and the difference between the family premium amount and the 55% of the individual premium amount if they elect dependent coverage.

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Retiree Dental Insurance Program:

| | |
|-----------------------|---|
| <u>Plan Type:</u> | Comprehensive dental. |
| <u>Administrator:</u> | North River Collaborative |
| <u>Eligibility:</u> | Same as above. |
| <u>Cost Sharing:</u> | Retirees shall pay 100% of stated premiums. |

Employees Covered by Benefit Terms

As of the actuarial valuation date, July 1, 2018, the following employees were covered by the benefit terms:

| | |
|---|------------|
| Inactive employees or beneficiaries currently receiving benefits: | 16 |
| Active employees: | 214 |
| Total: | <u>230</u> |

Contributions

The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. For the period ending on the June 30, 2020 measurement date, total Collaborative premiums plus implicit costs for the retiree medical program were \$125,915. The Collaborative also made a contribution to the Trust of \$95,880 for a total contribution during the measurement period of \$221,795 to be reported on the financial statement for the fiscal year ending June 30, 2020.

Net OPEB Liability

In accordance with GASB No. 75, the Collaborative recognizes a net OPEB liability which is measured as the portion of the actuarial present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of employee service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The Collaborative's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Actuarial Methods & 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 benefit 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.

The following assumptions were utilized in the actuarial valuation as of June 30, 2020 (measurement date):

| | |
|-----------------------------------|--|
| <u>Actuarial Cost Method:</u> | Individual Entry Age Normal |
| <u>Investment Rate of Return:</u> | 6.91%, net of OPEB plan investment expense, including inflation |
| <u>Discount Rate:</u> | 7.00% per annum (previously 6.50%, used in the calculation of the interest cost) |

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

| | |
|--------------------------------------|--|
| <u>Healthcare Trend Rates:</u> | Medicare Supplement Plans: initial trend of 4.50% for 2020 grading down 0.00% per year for an ultimate trend rate of 4.50%. Non-Medicare Plans: initial trend of 5.00% for 2020 grading down 0.00% per year for an ultimate trend rate of 5.00%. Dental Plans: N/A. |
| <u>General Inflation Assumption:</u> | 2.50% per annum |
| <u>Annual Compensation Increase:</u> | 3.00% per annum |
| <u>Asset-Valuation Method:</u> | Market Value of assets as of the measurement date, June 30, 2020 |
| <u>Pre-Retirement Mortality:</u> | RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females |
| <u>Post-Retirement Mortality:</u> | RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 for males and females |
| <u>Disabled Mortality:</u> | RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females |

Investment Policy

The Collaborative pursues an investment strategy that provides the maximum investment return with minimal risk. Funds not required for current operations should be invested according to an investment policy approved by the Board of Directors and the preservation of capital always takes priority over maximizing returns.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation percentage and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---|--------------------------|---|
| Domestic Equity - Large Cap | 51.00% | 4.80% |
| Domestic Equity - Small/Mid Cap | 8.00% | 5.29% |
| International Equity - Developed Market | 6.00% | 5.45% |
| International Equity - Emerging Market | 2.75% | 6.42% |
| Domestic Fixed Income | 16.00% | 2.05% |
| International Fixed Income | 2.00% | 3.00% |
| Alternatives | 9.00% | 6.50% |
| Real Estate | 5.00% | 6.25% |
| Cash & Cash Equivalents | 0.25% | 0.00% |
| Total | 100.00% | |

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%, previously 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Collaborative's funding policy. Based on these assumptions, the OPEB plan's fiduciary net position is projected to be sufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets was applied to all projected future benefit payments.

Concentrations

As of June 30, 2020, the Collaborative's investment in the Fidelity Diversified International Fund had a market value of \$132,575, which represents 5.94% of the OPEB plan's fiduciary net position.

Rate of Return

As of the June 30, 2020 measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 3.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in the Net OPEB Liability

The following table illustrates the changes in the net OPEB liability at June 30, 2020 (measurement date and reporting date).

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|--|---|--|---|
| Balances for June 30, 2019 | \$ 3,417,238 | \$ 2,061,317 | \$ 1,355,921 |
| Changes for the year: | | | |
| Service cost | 201,886 | | 201,886 |
| Interest on total OPEB liability, service cost, and benefit payments | 231,215 | | 231,215 |
| Changes in assumptions | (188,854) | | (188,854) |
| Differences between expected and actual experience | (9,055) | | (9,055) |
| Net investment income | | 73,465 | (73,465) |
| Employer contributions to Trust | | 221,795 | (221,795) |
| Benefit payments withdrawn from Trust | | (125,915) | 125,915 |
| Total benefit payments including implicit costs | (125,915) | | (125,915) |
| Net changes | 109,277 | 169,345 | (60,068) |
| Balances at June 30, 2020 | \$ 3,526,515 | \$ 2,230,662 | \$ 1,295,853 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability and corresponding service cost of the Collaborative, as well as what the Collaborative's net OPEB liability and corresponding service cost would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease (6.0%) | Discount Rate (7.0%) | 1% Increase (8.0%) |
|--------------------|-------------------------------|---------------------------------|-------------------------------|
| Net OPEB liability | \$ 1,718,045 | \$ 1,295,853 | \$ 873,661 |
| Service cost | \$ 240,774 | \$ 201,886 | \$ 162,998 |

NORTH RIVER COLLABORATIVE

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June 30, 2020

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability and corresponding service cost of the Collaborative, as well as what the Collaborative's net OPEB liability and corresponding service cost would be if they were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease (3.5%) | Current Trend Rate (4.5%) | 1% Increase (5.5%) |
|--------------------|-------------------------------|--|-------------------------------|
| Net OPEB liability | \$ 890,942 | \$ 1,295,853 | \$ 1,779,590 |
| Service cost | \$ 168,464 | \$ 201,886 | \$ 243,812 |

OPEB Expense & Deferred Outflows of Resources & Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020 (measurement date and reporting date), the Collaborative recognized net OPEB expense of \$82,852. Additionally, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources as of June 30, 2020 (measurement date and reporting date):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 27,921 | \$ (151,285) |
| Changes of assumptions | 172,424 | (157,326) |
| Net difference between projected and actual earnings on OPEB plan investments | 89,455 | (5,407) |
| Total | \$ 289,800 | \$ (314,018) |

Net amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended June 30</u> | <u>Net</u> |
|---------------------------|--------------------|
| 2021 | \$ 17,240 |
| 2022 | 17,240 |
| 2023 | 9,083 |
| 2024 | 5,266 |
| 2025 | (58,566) |
| Thereafter | (14,481) |
| Total, net | <u>\$ (24,218)</u> |

GASB Statement #74

GASB Statement #74 is associated with reporting of the OPEB plan as of its reporting date June 30, 2020. The OPEB plan reported net position of \$2,230,662 as of June 30, 2020.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

Net OPEB Liability

The components of the net OPEB liability of the Collaborative at June 30, 2020 (measurement date and reporting date) were as follows:

| | | |
|--|----|------------------|
| Total OPEB liability | \$ | 3,526,515 |
| Plan fiduciary net position | | (2,230,662) |
| Collaborative's net OPEB liability | \$ | <u>1,295,853</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 63.25% |

Actuarial Determined Contribution (ADC)

The Collaborative's Actuarial Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement #74/75 which is composed of the service cost and an amortization of the unfunded liability. A 30-year flat dollar amortization of the Collaborative's unfunded liability has been used for the purpose of calculating ADC. The following table shows the components of the Collaborative's annual ADC and the amount actually contributed to the plan:

| | | FY2020 |
|--|----|----------------|
| Service cost | \$ | 201,886 |
| 30-year level dollar amortization of NOL | | 97,596 |
| Actuarial determined contribution | | <u>299,482</u> |
| Contributions in relation to actuarially determined contribution | | (221,795) |
| Contribution deficiency/(excess) | \$ | <u>77,687</u> |
| Covered employee payroll | \$ | 9,682,000 |
| Contributions as a percentage of covered employee payroll | | 2.29% |

Note: Contributions and benefits are reported in the financial statements on actual amounts. Actuarial calculation and amounts reported for contributions and benefits also account for implicit costs. There is no overall difference in the net change when funding net position of the Plan.

NOTE 14. RISK MANAGEMENT

The Collaborative is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Collaborative carries commercial insurance for all risks except health insurance.

The Collaborative participates in the Mayflower Municipal Health Group (the Group), a municipal joint-purchase group consisting of 31 governmental units, formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Collaborative both contribute to the Group. On an annual basis, the Collaborative budgets in the general fund for its estimated share of premiums. Payments to the Group for premiums for fiscal year 2020 were approximately \$1.5 million. Additional financial information related to the Group can be obtained by contacting the Group directly at: 65 Cordage Park Circle, Suite 110, Plymouth, MA 02360.

NORTH RIVER COLLABORATIVE

Notes to the Financial Statements

June 30, 2020

NOTE 15. NORTH RIVER COLLABORATIVE RETIREES' HEALTH INSURANCE TRUST

On March 20, 2000, the Board of Directors authorized the creation of the North River Collaborative Retirees' Health Insurance Trust (The Trust). The Trust is a separate legal entity, which has received a determination letter from the Internal Revenue Service indicating that it has tax-exempt status under 501(c)(9) of the Internal Revenue Code. The purpose of the Trust is to provide a funding mechanism to pay the on-going liability associated with providing health insurance premiums of eligible retirees, their dependents, and beneficiaries of the Collaborative under M.G.L. Chapter 32. In effect, the Trust is a single employer defined benefit OPEB plan. The Trust is governed by a Board of Trustees comprised of the Board of Directors of North River Collaborative.

Because of the governance and fiscal responsibility of the Collaborative to the Trust, the Trust, a component unit, is reported as a fiduciary fund of the Collaborative. The Trust does not issue separate financial statements.

Additional funding of the Collaborative's OPEB liability is funded on a discretionary basis by contributions from the unrestricted fund balance of the Collaborative. The Board has the authority to decide when such contributions, if any are to be made. During fiscal year 2020, the Board authorized contributions of \$160,000 to the Trust.

NOTE 16. IMPLEMENTATION OF GASB PRONOUNCEMENTS

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are applicable to the Collaborative's financial statements:

Current Pronouncements:

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective implementation dates of certain pronouncements as a result of the COVID-19 pandemic, as follows:

- The effective dates of certain provisions contained in the following pronouncements are postponed by one year: GASB Statements No. 83, No. 84, No. 88, No. 89, No. 90, No. 91, No. 92, and No. 93 and Implementation Guides No. 2018-1, No. 2019-1, and No. 2019-2.
- The effective dates of the following pronouncements are postponed by eighteen months: GASB Statement No. 87 and Implementation Guide No. 2019-3.

Future Pronouncements:

The GASB issued Statement No. 84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2021, as amended by GASB Statement No. 95. This pronouncement establishes criteria for identifying fiduciary activities and its objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Collaborative expects to implement the pronouncement as applicable.

The GASB issued Statement No. 87, *Leases*, which is required to be implemented in fiscal year 2022, as amended by GASB Statement No. 95. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Collaborative expects to implement the pronouncement as applicable.

NORTH RIVER COLLABORATIVE

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June 30, 2020

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is required to be implemented in fiscal year 2022, as amended by GASB Statement No. 95. This pronouncement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. Additionally, it will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. The Collaborative will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented in fiscal year 2021, as amended by GASB Statement No. 95. This pronouncement improves the consistency and comparability of reporting a government's majority interest in a legally separate organization and improves the relevance of financial statement reporting for certain component units. The Collaborative will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented in fiscal year 2023, as amended by GASB Statement No. 95. This pronouncement improves financial reporting by providing a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Collaborative will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 92, *Omnibus 2020*, which is generally required to be implemented in fiscal year 2023, as amended by GASB Statement No. 95. This pronouncement addresses a variety of topics and includes specific provisions of previously issued pronouncements. The Collaborative will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is generally required to be implemented in fiscal year 2022 or thereafter, as amended by GASB Statement No. 95. This pronouncement addresses the accounting and reporting implications resulting from interbank offered rates (IBOR). The Collaborative will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is generally required to be implemented in fiscal year 2023. This pronouncement addresses the accounting and reporting of arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or an exchange-like transaction. The Collaborative will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is generally required to be implemented in fiscal year 2023. This pronouncement addresses the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Collaborative will evaluate the applicability of this pronouncement upon implementation.

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June 30, 2020

The GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. This pronouncement improves the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements will also enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The requirements of this Statement that are related to the accounting and financial reporting of Section 457 plans are generally required to be implemented in fiscal year 2022. The Collaborative will evaluate the applicability of the pronouncement upon implementation.

NOTE 17. SUBSEQUENT EVENTS

The Collaborative has evaluated subsequent events through November 10, 2020, which is the date the financial statements were available to be issued. Management has reported the following events, which are necessary to disclose to keep the financial statements from being misleading. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

State of Emergency – COVID-19:

As a result of the COVID-19 outbreak, the State of Emergency declared by the Governor of the Commonwealth of Massachusetts continues.

The economic impact to the Commonwealth and the ramifications upon state aid and local receipts to the Collaborative is uncertain. There are significant uncertainties regarding ongoing guidelines and restrictions associated with reopening businesses, workplaces, and educational facilities. Accordingly, any economic impact to the Collaborative and its operational budget cannot be fully determined as of the date of these financial statements.

Conference Center Construction:

In September 2020, the Board of Directors of North River Collaborative voted to renovate the North River Collaborative Conference Center and change it into social emotional classrooms for additional grades. During fiscal year 2021, the Collaborative prepared a request for quotation which was submitted to the Massachusetts Assistant Attorney General of the Construction Bid Unit for review. The Collaborative expects this project to be completed prior to the start of the fiscal 2022 school year.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH RIVER COLLABORATIVE

Required Supplementary Information

Schedule of the Collaborative's Proportionate Share of the Net Pension Liabilities and Pension Plan Contributions

Last 10 Fiscal Years

A. Special Funding Situation - Massachusetts Teachers' Retirement System

The Commonwealth of Massachusetts is a nonemployer contributing entity and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the Collaborative, are considered to be in a special funding situation as defined by GASB 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in the Massachusetts Teachers' Retirement System (MTRS) (the Plan). Since the Collaborative does not contribute directly to the MTRS, there is no net pension liability to recognize. Based upon the actuarial valuation of the Plan for the year ended June 30, XX, the following is presented:

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Collaborative's proportion of the net pension liability | 0.05% | 0.06% | 0.06% | 0.06% | 0.06% | 0.06% |
| Commonwealth's proportionate share of the net pension liability associated with the Collaborative | \$ 13,481,684 | \$ 13,485,406 | \$ 12,897,939 | \$ 13,681,515 | \$ 13,271,835 | \$ 10,213,579 |
| Collaborative's covered payroll (approximate) | \$ 3,890,000 | \$ 3,990,000 | \$ 3,830,000 | \$ 4,030,000 | \$ 4,100,000 | \$ 3,940,000 |
| Collaborative's proportionate share of the net pension liability as a percentage of its covered payroll | 346.57% | 337.98% | 336.76% | 339.49% | 323.70% | 259.23% |
| Plan fiduciary net position as a percentage of the total pension liability | 53.95% | 54.84% | 54.25% | 52.73% | 55.38% | 61.64% |
| Actuarially determined contribution | \$ 771,937 | \$ 747,761 | \$ 696,322 | \$ 688,167 | \$ 661,939 | \$ 602,276 |
| Contributions in relation to the actuarial determined contribution | (771,937) | (747,761) | (696,322) | (688,167) | (661,939) | (602,276) |
| Contribution deficiency (excess) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Contributions as a percentage of covered payroll | 19.84% | 18.74% | 18.18% | 17.08% | 16.14% | 15.29% |

Notes to Schedule:

Changes of Assumptions:

Effective June 30, 2019:

- Discount rate is 7.25%; previously 7.35%

Effective June 30, 2018:

- Discount rate is 7.35%; previously 7.5%

Effective June 30, 2015:

- Discount rate is 7.5%; previously 8.0%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Collaborative will present information for those years which information is available.

See Independent Auditor's Report.

NORTH RIVER COLLABORATIVE
Required Supplementary Information
Schedule of the Collaborative's Proportionate Share of the Net Pension Liabilities and Pension Plan Contributions
Last 10 Fiscal Years

B. Special Funding Situation - Massachusetts State Employees' Retirement System

Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% 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. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Based upon the actuarial valuation of the Plan for the year ended June 30, 20XX, the following is presented:

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|--------------|--------------|
| Collaborative's proportion of the net pension liability | 0.08% | 0.08% | 0.09% | 0.09% | 0.07% | 0.07% |
| Commonwealth's proportionate share of the net pension liability associated with the Collaborative | \$ 11,788,994 | \$ 10,670,101 | \$ 11,063,118 | \$ 12,151,223 | \$ 8,260,585 | \$ 5,200,485 |
| Collaborative's covered payroll (approximate) | \$ 3,780,000 | \$ 4,580,000 | \$ 3,710,000 | \$ 4,500,000 | \$ 3,840,000 | \$ 3,710,000 |
| Collaborative's proportionate share of the net pension liability as a percentage of its covered payroll | 311.88% | 232.97% | 298.20% | 270.03% | 215.12% | 140.17% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.28% | 67.91% | 67.21% | 63.48% | 67.87% | 76.32% |
| Actuarially determined contribution | \$ 211,579 | \$ 256,523 | \$ 207,644 | \$ 252,000 | \$ 214,900 | \$ 207,812 |
| Contributions in relation to the actuarial determined contribution | (211,579) | (256,523) | (207,644) | (252,000) | (214,900) | (207,812) |
| Contribution deficiency (excess) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Contributions as a percentage of covered payroll | 5.60% | 5.60% | 5.60% | 5.60% | 5.60% | 5.60% |

Notes to Schedule:

Changes of Assumptions:

Effective June 30, 2019:

- Discount rate is 7.25%; previously 7.35%

Effective June 30, 2018:

- Discount rate is 7.35%; previously 7.5%

Effective June 30, 2015:

- Discount rate is 7.5%; previously 8.0%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Collaborative will present information for those years which information is available.

See Independent Auditor's Report.

NORTH RIVER COLLABORATIVE
Required Supplementary Information
Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

| Valuation Date: | July 1, 2019 | July 1, 2018 | July 1, 2016 | July 1, 2016 |
|--|----------------------|----------------------|----------------------|----------------------|
| For the Reporting Period & Fiscal Year Ending On: | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| Total OPEB liability | | | | |
| Service cost | \$ 201,886 | \$ 213,858 | \$ 208,529 | \$ 188,351 |
| Interest | 231,215 | 227,643 | 198,953 | 179,175 |
| Differences between expected and actual experience | (9,055) | (511,918) | | |
| Changes of assumptions | (188,854) | 258,852 | | |
| Benefits payments, including implicit costs | (125,915) | (117,221) | (71,272) | (71,237) |
| Net change in total OPEB liability | 109,277 | 71,214 | 336,210 | 296,289 |
| Total OPEB liability - beginning | 3,417,238 | 3,346,024 | 3,009,814 | 2,713,525 |
| Total OPEB liability - ending (a) | \$ 3,526,515 | \$ 3,417,238 | \$ 3,346,024 | \$ 3,009,814 |
| Plan fiduciary net position | | | | |
| Earnings from plan investments, net expenses | \$ 73,465 | \$ 130,510 | \$ 116,886 | \$ 90,378 |
| Contributions | 221,795 | 186,833 | 149,547 | 137,153 |
| Benefit payments, including implicit costs | (125,915) | (117,221) | (71,272) | (71,237) |
| Net change in fiduciary net position | 169,345 | 200,122 | 195,161 | 156,294 |
| Plan fiduciary net position - beginning | 2,061,317 | 1,861,195 | 1,666,034 | 1,509,740 |
| Plan fiduciary net position - ending (b) | \$ 2,230,662 | \$ 2,061,317 | \$ 1,861,195 | \$ 1,666,034 |
| Collaborative's net OPEB liability - ending (a-b) | \$ 1,295,853 | \$ 1,355,921 | \$ 1,484,829 | \$ 1,343,780 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 63.25% | 60.32% | 55.62% | 55.35% |
| Covered-employee payroll | \$ 9,682,000 | \$ 9,400,000 | \$ 9,594,363 | \$ 9,314,916 |
| Collaborative's net OPEB liability as a percentage of covered-employee payroll | 13.38% | 14.42% | 15.48% | 14.43% |

Notes to Schedule:

Changes of Assumptions:

From June 30, 2019 to June 30, 2020

- Discount rate is 7.00%; previously 6.50%

From July 1, 2017 to June 30, 2019

- Discount rate is 6.50%; previously 6.25%
- Teacher retirement rates were updated
- The expected long-term medical trend for Medicare Supplement plans has been updated to 4.50%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Collaborative will present information for those years which information is available.

NORTH RIVER COLLABORATIVE
 Required Supplementary Information
 Schedule of Collaborative Contributions - Other Postemployment Benefits
 Last 10 Fiscal Years

| For the Fiscal Year Ending: | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Actuarially determined contribution | \$ 299,482 | \$ 311,354 | \$ 302,882 | \$ 273,732 |
| Contributions in relation to the actuarially determined contribution | \$ 221,795 | \$ 186,833 | \$ 149,547 | \$ 137,153 |
| Contribution deficiency (excess) | <u>\$ 77,687</u> | <u>\$ 124,521</u> | <u>\$ 153,335</u> | <u>\$ 136,579</u> |
| Covered-employee payroll | \$ 9,682,000 | \$ 9,400,000 | \$ 9,594,363 | \$ 9,314,916 |
| Contributions as a percentage of covered-employee payroll | 2.29% | 1.99% | 1.56% | 1.47% |

Notes to Schedule:

Valuation date: July 1, 2018

Methods and assumptions used to determine the contribution rates:

| | |
|------------------------------|---|
| Actuarial cost method: | Individual entry age normal |
| Plan membership: | 230 |
| Amortization method: | Flat dollar amortization |
| Amortization period: | 30 years |
| Asset valuation method: | Market value |
| Discount rate: | 7.00% |
| Inflation: | 2.50% as of June 30, 2020 and for future periods |
| Healthcare cost trend rates: | |
| Medicare supplement plans: | 4.50% |
| Non-medicare plans: | 5.0% |
| Dental plans: | N/A |
| Salary increases: | 3.0% annually as of June 30, 2020 and for future periods |
| Investment rate of return: | 6.91%, net of OPEB plan investment expense, including inflation |
| Retirement age: | Varies based on age and length of service |
| Mortality: | |
| Pre-retirement: | RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females |
| Post-retirement: | RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females |
| Disabled: | RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2012 for males and females |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Collaborative will present information for those years which information is available.

NORTH RIVER COLLABORATIVE
Required Supplementary Information
Schedule of Investment Returns - Other Postemployment Benefits Trust Fund
Last 10 Fiscal Years

| For the fiscal year ending: | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Annual money-weighted rate of return, net of investment expense | 3.57% | 7.03% | 7.09% | 5.80% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Collaborative will present information for those years which information is available.

NORTH RIVER COLLABORATIVE
 Required Supplementary Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|----------------------------|-------------------------|-------------------|---|
| REVENUES | | | | |
| Tuition income | \$ 4,353,671 | \$ 4,353,671 | \$ 4,821,363 | \$ 467,692 |
| Charges for services | 9,515,058 | 9,515,058 | 8,200,754 | (1,314,304) |
| Intergovernmental | 128,500 | 128,500 | 85,512 | (42,988) |
| Departmental and other | 72,000 | 72,000 | 21,471 | (50,529) |
| Member assessments | 30,000 | 30,000 | 30,000 | |
| Interest and investment income | 25,000 | 25,000 | 98,922 | 73,922 |
| Total revenues | <u>14,124,229</u> | <u>14,124,229</u> | <u>13,258,022</u> | <u>(866,207)</u> |
| EXPENDITURES | | | | |
| Administration | 1,439,004 | 1,439,004 | 1,238,062 | 200,942 |
| Instruction | 5,803,002 | 5,803,002 | 4,957,233 | 845,769 |
| Other school services | 3,854,527 | 3,854,527 | 3,268,311 | 586,216 |
| Fixed charges | 1,771,057 | 1,771,057 | 1,385,089 | 385,968 |
| Operations and maintenance | 480,338 | 480,338 | 448,632 | 31,706 |
| Debt service | 756,301 | 756,301 | 736,118 | 20,183 |
| Capital outlay | 800,000 | 800,000 | 800,000 | |
| Total expenditures | <u>14,904,229</u> | <u>14,904,229</u> | <u>12,833,445</u> | <u>2,070,784</u> |
| Revenue over (under) expenditures | (780,000) | (780,000) | 424,577 | 1,204,577 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt | 800,000 | 800,000 | 441,674 | (358,326) |
| Transfers in (out), net | (20,000) | (20,000) | (173,520) | (153,520) |
| Special item: | | | | |
| Gain on sale of assets | | | 52,729 | 52,729 |
| Total other financing sources (uses) | <u>780,000</u> | <u>780,000</u> | <u>320,883</u> | <u>(459,117)</u> |
| Net budget | <u>\$</u> | <u>\$</u> | <u>\$ 745,460</u> | <u>\$ 745,460</u> |

See Independent Auditor's Report.
 See accompanying notes to budgetary comparison schedule.

NORTH RIVER COLLABORATIVE
Notes to the Required Supplementary Information
June 30, 2020

NOTE 1. BUDGET PROCESS

The Collaborative annually determines the amount necessary to maintain and operate the Collaborative for the next fiscal year in accordance with 603 CMR 50.00. Budgets for grants and certain revenues from revolving funds accounted for in special revenue funds are not required to be prepared under the General Laws of Massachusetts. Accordingly, a comparison of actual to budgeted results of operations for the special revenue funds and other governmental funds is not presented in the accompanying financial statements. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

NOTE 2. BUDGETARY BASIS OF ACCOUNTING

Often, budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). Although the Collaborative included estimated amounts for on-behalf payments made by the Commonwealth of Massachusetts, these amounts have not been included in the budgeted amounts presented in the Budgetary Comparison Schedule. In addition, the Collaborative includes capital outlay as part of the annual budget process; however, capital outlay has been reported in the capital projects fund in accordance with accounting principles generally accepted in the United States of America.

A comparison of the budget to actual amounts on a “budgetary basis” is provided as required supplementary information to provide a meaningful comparison with the budget. A reconciliation of the budgetary-basis to GAAP basis results for the general fund for the year ended June 30, 2020 is presented in the following schedule:

| | <u>Revenues</u> | <u>Expenditures</u> | <u>Other Financing Sources (Uses), Net</u> |
|--|----------------------|----------------------|--|
| As reported on a budgetary basis | \$ 13,258,022 | \$ 12,833,445 | \$ 320,883 |
| State funded pension | 1,362,568 | 1,362,568 | |
| Activity recorded in the capital projects fund | | (800,000) | (800,000) |
| As reported on a GAAP basis | <u>\$ 14,620,590</u> | <u>\$ 13,396,013</u> | <u>\$ (479,117)</u> |

OTHER INFORMATION

NORTH RIVER COLLABORATIVE

Other Information

June 30, 2020

In accordance with Massachusetts General Law Chapter 40, Section 4E and Regulations on Educational Collaboratives, 603 CMR 50.00, educational collaboratives are required to disclose certain other information as indicated below.

1. NAMES, DUTIES, AND TOTAL COMPENSATION OF THE FIVE MOST HIGHLY COMPENSATED EMPLOYEES:

| <u>Name & Position</u> | <u>General Duties</u> | <u>FY20 Compensation</u> |
|--|---|--------------------------|
| Stephen Donovan, Executive Director | Manages the Collaborative on a day-to-day basis | \$ 163,520 |
| Clarice Doliber, Assistant Executive Director | Assists in managing the Collaborative on a day-to-day basis | \$ 131,250 |
| Michael Laliberte, Director of Business Services | Responsible for financial accounting & reporting | \$ 129,702 |
| Ryan Morgan, Program Director, Independence Academy | Facilitates the Independence Academy program | \$ 120,136 |
| Catherine Stevens, Multi-Disabilities Program Coordinator | Facilitates learning centers for students with disabilities | \$ 110,354 |

2. TRANSACTIONS BETWEEN THE COLLABORATIVE AND ANY RELATED FOR-PROFIT OR NON-PROFIT ORGANIZATION, AS DEFINED IN M.G.L. CHAPTER 40, SECTION 4E:

As described in the notes to the financial statements, North River Collaborative contributes to the North River Collaborative Retirees' Health Insurance Trust – an entity operated exclusively to provide funding for the Collaborative's other postemployment benefit obligations. In accordance with generally accepted accounting principles, the financial position and activity of this entity is included in the Collaborative's financial statements as a fiduciary fund.

3. AMOUNTS EXPENDED ON SERVICES FOR INDIVIDUALS AGED 22 AND OLDER:

The Collaborative did not expend any funds on services for individuals aged 22 years and older during fiscal year 2020.

4. AMOUNTS EXPENDED ON ADMINISTRATION AND OVERHEAD:

Expenses classified as administrative and overhead totaled \$1,293,468, in accordance with the Massachusetts Department of Elementary and Secondary Education functional classification system.

5. ACCOUNTS HELD BY THE COLLABORATIVE THAT MAY BE SPENT AT THE DISCRETION OF ANOTHER PERSON OR ENTITY:

The Collaborative had no such accounts during fiscal year 2020.

NORTH RIVER COLLABORATIVE

Other Information

June 30, 2020

6. TRANSACTIONS OR CONTRACTS RELATED TO THE PURCHASE, SALE, RENTAL, OR LEASE OF REAL PROPERTY:

The Collaborative has entered into several leases for the use of real property, as follows:

| <u>Property</u> | <u>Use</u> | <u>Lessor</u> |
|-----------------------------|--------------------------|---|
| Alms House | Administrative offices | Town of Rockland, MA |
| Independence Academy | School facility | Massachusetts Greyhound Association |
| Abington classrooms | Instructional classrooms | Town of Abington, MA |
| Easton classrooms | Instructional classrooms | Town of Easton, MA |
| East Bridgewater classrooms | Instructional classrooms | Town of East Bridgewater, MA |
| Pembroke classrooms | Instructional classrooms | Town of Pembroke, MA |
| Rockland classrooms | Instructional classrooms | Town of Rockland, MA |
| West Bridgewater classrooms | Instructional classrooms | Town of West Bridgewater, MA |
| Whitman classrooms | Instructional classrooms | Whitman-Hanson Regional School District |

7. ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS:

The Collaborative's cumulative surplus for the current and prior fiscal year is as follows:

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|-------------------------|----------------------|----------------------|
| General Fund: | | |
| Unassigned Fund Balance | \$ 2,701,545 | \$ 1,956,085 |

During fiscal year 2020, the Collaborative expended \$12,833,445 in actual general fund budgetary expenditures. The unassigned fund balance represents 21.05% of these expenditures.