

**LABBB Collaborative**

Financial Statements

For the Year Ended June 30, 2018

**LABBB Collaborative**  
**Contents**  
For the Year Ended June 30, 2018

	<u>Page</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-6
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statements of Activities	8
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Other Postemployment Benefits Trust (Fiduciary Fund)	
Statement of Fiduciary Net Position	13
Statement of Changes in Fiduciary Net Position	14
Notes to Financial Statements	15-30
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund – Budget to Actual – Budgetary Basis	31
OPEB Plan – Required Supplementary Information	32-33
Schedule of the Collaborative's Proportionate Share of Net Pension Liability	34
Schedule of Pension Contributions	35
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	36-37



**FRITZ DEGUGLIELMO LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**& BUSINESS ADVISORS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
LABBB Collaborative  
Burlington, 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 LABBB Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise LABBB 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 LABBB Collaborative, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note A to the financial statements, in fiscal 2018, the Collaborative fully implemented Governmental Accounting Standards Board Statements No. 74, *Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension schedules on pages 3-6 and 31-35 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of LABBB Collaborative’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LABBB 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 LABBB Collaborative’s internal control over financial reporting and compliance.



Certified Public Accountants

Newburyport, Massachusetts  
December 20, 2018

**LABBB Collaborative**  
Management's Discussion & Analysis  
June 30, 2018

The following discussion and analysis of the LABBB Collaborative's ("LABBB") financial performance provides an overview of LABBB's financial activities for the fiscal year ended June 30, 2018 and summarized comparative information for 2017. Please read it in conjunction with LABBB's financial statements, which follow.

**OVERVIEW OF THE FINANCIAL REPORTS**

This discussion and analysis is intended to serve as an introduction to LABBB's financial statements. LABBB's financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Statements:**

The government-wide financial statements report information about LABBB as a whole using accounting methods similar to those used by private sector companies.

- The **Statement of Net Position** presents information on all of LABBB's assets and liabilities with the difference between the two reported as net position. It is one way of measuring LABBB's financial health or position.
- The **Statement of Activities** presents information showing how LABBB's net position changed during the most recent fiscal year. All of the current year's revenues and expenditures are accounted for in the Statement of Activities regardless of when cash is received or paid.

Over time, increases or decreases in LABBB's net position is an indicator of whether its financial position is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions when evaluating the overall financial health of LABBB.

**Fund Financial Statements:**

Funds are accounting devices used to keep track of specific sources of funding and spending in particular categories: governmental funds, proprietary funds, and fiduciary funds. Presently, LABBB has only governmental and fiduciary funds.

- **Governmental funds** – LABBB's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance LABBB's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.
- **Fiduciary fund** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support LABBB's own programs.

**LABBB Collaborative**  
Management's Discussion & Analysis  
June 30, 2018

**Notes to the Financial Statements:**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in LABBB's financial statements.

**Supplementary Information:**

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

**GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS**

**Revenue and Other Support**

Operating revenue and other support for the fiscal year ended June 30, 2018 increased \$915,845 or 3.5% from the prior fiscal year, excluding retirement systems on-behalf revenue. The increase is primarily due to increases in tuitions. The tuition, transportation network, recreation and home services experienced increases in revenue, while industry, extended services fundraisers and contributions revenue decreased.

Member credits can be used to reduce amounts due to LABBB Collaborative from member districts for special education services provided by LABBB. Member credits of \$1,300,000 were issued in fiscal year 2018. At June 30, 2018, five member districts had available unapplied credits totaling \$1,024,997.

Interest income increased \$31,354. The increase is related to the increase of average funds held in deposit as well as the increase in the interest rate at the Massachusetts Municipal Depository Trust (MMDT) during fiscal year 2018.

**Expenditures**

Expenditures for the fiscal year ended June 30, 2018 increased \$521,078 or 2.1% from the prior fiscal year, excluding retirement systems on-behalf expense and the annual post-employment benefit cost ("OPEB expense"). Instructional and other program and administrative expenditures increased due to higher personnel costs.

OPEB expense was \$1,182,678 in fiscal year 2018 and \$556,780 in fiscal year 2017. The amounts were determined by an actuarial study, under Governmental Accounting Standards Board ("GASB") Statement No. 75 as of June 30, 2017 and under GASB Statement No. 45 as of July 1, 2014, respectively. The plan is offered to retired LABBB employees who meet specific eligibility requirements.

**Change in Net Position**

The change in net position for the fiscal year ended June 30, 2018 was a deficit of \$336,590, a decrease of \$1,523,084 from the prior fiscal year change in net position. The deficit is due primarily to the issuance of \$1,300,000 in member credits. There was also an increase in the current fiscal year OPEB expense in accordance with GASB Statement No. 75 of \$625,898. The remaining difference is a result of increases in revenues over expenditures in the current fiscal year.

**LABBB Collaborative**  
Management's Discussion & Analysis  
June 30, 2018

**Total Assets**

Total assets as of June 30, 2018 decreased \$1,638,942 or 10.0% from June 30, 2017. Cash decreased \$1,164,207 and accounts receivable decreased \$435,188. The primary decrease in cash is due to a transfer of \$3,000,000 to a PARS OPEB Trust Fund. The remaining increase is a result of operations during fiscal 2018. The decrease in accounts receivable is due to sending out activity statements on the 15<sup>th</sup> of each month, resulting in better collections during the fiscal year. LABBB maintains cash balances with Rockland Trust and the MMDT. Cash balances at Rockland Trust are maintained at levels that at times exceed FDIC protection. Cash balances at the MMDT are not FDIC insured.

The MMDT is managed by the Massachusetts State Treasurer and Federated Investors, Inc. and offers investors a stable investment option, competitive yields, low cost, liquidity, and professional management. The MMDT investment objectives are the preservation of capital, maintaining a high level of portfolio liquidity, and to attain the highest level of current income consistent with the objectives of preservation of capital and liquidity. To achieve the investment objectives the MMDT limits investments to the highest quality U.S. dollar-denominated money market instruments of domestic and foreign issuers, U.S. government securities, and repurchase agreements. LABBB had an average of \$4,581,334 invested with the MMDT during fiscal year 2018 and the largest investment during that period was \$4,618,091.

Prepaid expenditures decreased \$36,191 from the prior year. The decrease is related primarily to a lower prepaid amount for workers' compensation insurance compared to the prior fiscal year.

LABBB capitalizes assets purchased which equal or exceed \$5,000 in value. These assets are depreciated over lives of three to five years on the straight-line method. During fiscal year 2018, assets were purchased in the amount of \$45,997. Depreciation expense for the year ended June 30, 2018 was \$26,046.

**Liabilities and Net Position**

Total liabilities as of June 30, 2018 increased \$8,769,740 or 85.3% from June 30, 2017. All liabilities are considered to be current with the exception of the accrued compensated absences and the accrued postemployment obligation. Accounts payable increased \$522,413. The increase relates primarily to transportation network activity. All accounts payable in fiscal year 2018 and fiscal year 2017 were current. Accrued expenditures decreased \$41,286. The decrease relates to a lower amount in wages payable than accrued in fiscal 2017.

Member credits decreased \$68,700. The decrease is related to use of \$1,368,700 in member credits by member districts net of an issuance of \$1,300,000 in member credits.

LABBB fully implemented GASB Statement No. 75 in fiscal 2018 and recorded an increase in the beginning OPEB liability of \$10,072,092 as a result of the change in accounting principle. The OPEB liability decreased \$1,817,322 as a result of funding the OPEB Trust \$3,000,000 during fiscal 2018, net of OPEB expense of \$1,182,678.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

LABBB's annual budget for fiscal 2018 was approved by its Board of Directors. During fiscal 2018, actual revenues, excluding retirement systems on-behalf revenue, exceeded the budget by \$1,976,049. The tuition revenue was higher than projected by \$1,569,711, due to higher than projected enrollments. Also, the budget excluded some non-tuition based revenues, including recreation, contributions, grants and interest, which totaled \$271,450 for the year ended June 30, 2018.

**LABBB Collaborative**  
Management's Discussion & Analysis  
June 30, 2018

During fiscal 2018, LABBB incurred actual expenditures, excluding retirement systems on-behalf expense, of \$25,133,524 compared to budgeted expenditures of \$25,275,747. The difference between budgeted and actual expenditures is due mainly to lower than expected educational and instructional costs.

**KNOWN FACTS, DECISIONS, OR CONDITIONS**

LABBB implemented a new standard from the GASB, Statement No. 75, in fiscal year 2018. The standard relates to the accounting and reporting by employers for postemployment benefits other than pensions. The new standard requires that the post-employment health benefits obligation be recorded at the full allocation amount, no longer as a portion of the obligation. This change significantly increases and accelerates the recording of these costs and significantly impacted LABBB's operating results in fiscal year 2018. The opening balance in the government-wide net position as a result of this change in accounting principle was \$10,072,092 and was reported of the Statement of Activities.

LABBB historically recorded the cost of the postemployment health benefits on a "pay as you go" basis. The new standard requires these costs be recorded on an accrual basis and requires the disclosure of the post-employment health benefit plan's accumulated liabilities in the footnotes to the financial statements. This change significantly increased and accelerated the recording of these costs and significantly impacted LABBB's operating results in fiscal years 2018 and 2017. LABBB recorded a charge in each fiscal year for the estimated annual cost of the program, plus the unfunded prior costs that have accumulated to date. The total charge for fiscal years 2018 and 2017 are \$1,182,678 and \$556,780 respectively.

LABBB implemented GASB Statement No. 68 in fiscal year 2015. The standard relates to the accounting and financial reporting for pensions. LABBB's employees participate in the Massachusetts Teachers' (MTRS) or State Employees' Retirement System (MSERS), statewide cost-sharing multi-employer defined benefit plans public employee retirement systems (PERS) covering all employees of local school districts within the Commonwealth of Massachusetts ("the Commonwealth").

Educational collaboratives contribute amounts equal to the normal cost of employees' benefits participating in MSERS at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. The Commonwealth is a nonemployer contributor in MTRS and MSERS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS. Therefore, LABBB is considered to be in a 100% special funding situation as defined by GASB Statement No. 68. Since the employers do not contribute directly to each system beyond the MSERS annual normal cost, there is no net pension liability to recognize. However, the notes to the financial statements must disclose the portion of the nonemployer contributing entities' share of the collective net pension liability that is associated with the employer. In addition, LABBB must recognize its portion of the collective pension expense as both revenue and pension expense.



**LABBB Collaborative**  
Statement of Net Position  
June 30, 2018

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	
Cash available for operations	\$ 7,252,373
Cash restricted for capital fund	2,000,000
Cash assigned as reserve for operations	2,540,028
Accounts receivable, net	2,742,645
Prepaid expenses	203,432
<b>Total Current Assets</b>	14,738,478
<b>Non-current Assets</b>	
Equipment and improvements, net	80,126
<b>Total Non-current Assets</b>	80,126
<b>Total Assets</b>	\$ 14,818,604
<b>LIABILITIES AND NET POSITION</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 1,071,832
Accrued expenses	931,177
Deferred revenue	205,519
Member credits	1,024,997
<b>Total Current Liabilities</b>	3,233,525
<b>Non-current Liabilities:</b>	
Compensated absences	40,119
Other postemployment benefits	15,778,698
<b>Total Long Term Liabilities</b>	15,818,817
<b>Total Liabilities</b>	19,052,342
<b>Net Position</b>	
Unrestricted net position:	
General and other purposes	(6,313,864)
Net position invested in capital assets	80,126
Restricted - capital reserve fund	2,000,000
<b>Total Net Position</b>	(4,233,738)
<b>Total Liabilities and Net Position</b>	\$ 14,818,604

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

**LABBB Collaborative**  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/ Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Administration	\$ 1,344,989	\$ -	\$ -	\$ (1,344,989)
Educational and instructional	17,089,104	20,515,400	11,063	3,437,359
Transportation	6,622,262	6,647,079	-	24,817
Intergovernmental revenue and expense	4,103,842	-	4,103,842	-
Other postemployment benefits	1,182,678	-	-	(1,182,678)
Depreciation and amortization	26,046	-	-	(26,046)
<b>Total Governmental Activities</b>	<b>\$ 30,368,921</b>	<b>\$ 27,162,479</b>	<b>\$ 4,114,905</b>	<b>908,463</b>
<b>General Revenue:</b>				
Interest				75,222
Other				3,032
Credits to member districts				(1,300,000)
Loss on disposal of assets				(23,307)
<b>Total General Revenue</b>				<b>(1,245,053)</b>
<b>Change in Net Position</b>				<b>(336,590)</b>
<b>Net Position, Beginning of Year:</b>				
As previously reported				6,174,944
Cumulative effect of a change in accounting principle (see Note A)				(10,072,092)
As restated				<b>(3,897,148)</b>
<b>Net Position, End of Year</b>				<b>\$ (4,233,738)</b>

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

**LABBB Collaborative**  
Balance Sheet  
Governmental Funds  
June 30, 2018

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents				
Cash available for operations	\$ 7,252,373	\$ -	\$ -	\$ 7,252,373
Cash restricted for capital fund	-	2,000,000	-	2,000,000
Cash assigned as reserve for operations	2,540,028	-	-	2,540,028
Accounts receivable, net	2,742,645	-	-	2,742,645
Prepaid expenses	203,432	-	-	203,432
<b>Total Assets</b>	<b>\$ 12,738,478</b>	<b>\$ 2,000,000</b>	<b>\$ -</b>	<b>\$ 14,738,478</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,071,832	\$ -	\$ -	\$ 1,071,832
Accrued expenses	931,177	-	-	931,177
Deferred revenue	205,519	-	-	205,519
Member credits	1,024,997	-	-	1,024,997
<b>Total Liabilities</b>	<b>3,233,525</b>	<b>-</b>	<b>-</b>	<b>3,233,525</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	-
Restricted	-	2,000,000	-	2,000,000
Committed	-	-	-	-
Assigned	2,540,028	-	-	2,540,028
Unassigned	6,964,925	-	-	6,964,925
<b>Total Fund Balances</b>	<b>9,504,953</b>	<b>2,000,000</b>	<b>-</b>	<b>11,504,953</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,738,478</b>	<b>\$ 2,000,000</b>	<b>\$ -</b>	<b>\$ 14,738,478</b>

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

**LABBB Collaborative**

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

June 30, 2018

**Total fund balances, governmental funds** \$11,504,953

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

Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position 80,126

The compensated absences liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position. (40,119)

The Other postemployment benefit (OPEB) liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position. (15,778,698)

**Net Position of Governmental Activities** \$ (4,233,738)

**LABBB Collaborative**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Tuition and services revenue	\$ 20,015,771	\$ -	\$ -	\$ 20,015,771
Industry revenue	100,921	-	-	100,921
Recreation revenue	182,133	-	-	182,133
Transportation revenue	6,647,079	-	-	6,647,079
Contributions	11,063	-	-	11,063
Home services revenue	216,575	-	-	216,575
Intergovernmental revenue	4,103,842	-	-	4,103,842
Interest	75,222	-	-	75,222
Other	3,032	-	-	3,032
Credits to member districts	(1,300,000)	-	-	(1,300,000)
<b>Total Revenues</b>	<b>30,055,638</b>	<b>-</b>	<b>-</b>	<b>30,055,638</b>
<b>Expenditures:</b>				
Administration	1,376,161	-	-	1,376,161
Educational and instructional	17,089,104	-	-	17,089,104
Transportation expense	6,622,262	-	-	6,622,262
Intergovernmental expense	4,103,842	-	-	4,103,842
Capital outlay, net of debt incurred	45,997	-	-	45,997
<b>Total Expenditures</b>	<b>29,237,366</b>	<b>-</b>	<b>-</b>	<b>29,237,366</b>
Excess of Revenues over Expenditures	818,272	-	-	818,272
<b>Other Financing Sources:</b>				
OPEB obligation funding	(3,000,000)	-	-	(3,000,000)
Transfer to restricted funds	(2,000,000)	2,000,000	-	-
<b>Net Change in Fund Balances</b>	<b>(4,181,728)</b>	<b>2,000,000</b>	<b>-</b>	<b>(2,181,728)</b>
<b>Fund Balances, Beginning of Year</b>	<b>13,686,681</b>	<b>-</b>	<b>-</b>	<b>13,686,681</b>
<b>Fund Balances, End of Year</b>	<b>\$ 9,504,953</b>	<b>\$ 2,000,000</b>	<b>\$ -</b>	<b>\$ 11,504,953</b>

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

**LABBB Collaborative**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2018

**Net change in fund balances - total governmental funds** \$ (2,181,728)

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

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

Capital outlay, net of debt incurred	45,997
Depreciation	(26,046)
Loss on disposal of assets	(23,307)

Governmental funds do not report certain expenses because they do not require the use of current financial resources. In contrast, the Statement of Activities reports such expenses.

Compensated absences	31,172
----------------------	--------

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

Net change in other postemployment benefits (OPEB) accrual	<u>1,817,322</u>
--	------------------

<b>Change in net position of governmental activities</b>	<u><u>\$ (336,590)</u></u>
--	----------------------------

**LABBB Collaborative**  
Statement of Fiduciary Net Position  
Other Postemployment Benefits Trust  
June 30, 2018

**ASSETS**

Cash and cash equivalents	<u>\$ 3,050,067</u>
<b>Total Assets</b>	<u><u>\$ 3,050,067</u></u>

**NET POSITION**

Net position held in trust for other postemployment benefits	<u>\$ 3,050,067</u>
<b>Total Net Position</b>	<u><u>\$ 3,050,067</u></u>

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

**LABBB Collaborative**  
Statement of Changes in Fiduciary Net Position  
Other Postemployment Benefits Trust  
For the year ended June 30, 2018

**Additions:**

Contributions	\$ 3,000,000
Investment gain	<u>50,067</u>
Total Additions	3,050,067
Change in Net Position	3,050,067
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ 3,050,067</u></u>

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



**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

LABBB Collaborative (“LABBB”) is an educational collaborative organized under Chapter 40 of the general laws of the Commonwealth of Massachusetts. LABBB was entered into by the school committees of Lexington, Arlington and Burlington in April 1974, with the addition of Bedford in May 1980 and Belmont in July 1995. LABBB provides special education services and programs, as defined in the Regulations under Chapter 766, to students aged 3 to 21, with moderate to severe special needs.

LABBB is related to EDCO Collaborative (“EDCO”) through common board members. Four members of EDCO’s Board hold four of the five board seats of LABBB. EDCO obtains service fee income from LABBB for certain financial services. LABBB operates as a separate, independent, special education collaborative. Component units are included in the reporting entity if their operational and financial relationships with the reporting entity are significant. Pursuant to these criteria, LABBB did not identify EDCO as a component unit requiring inclusion in the accompanying financial statements.

A summary of accounting policies consistently applied in the financial statements follows:

**Basis of Presentation**

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

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

**Cumulative effect of change in accounting principle**

LABBB has fully implemented GASB Statements No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Statement No. 74 provides guidance to improve financial reporting of Other Postemployment Benefit (OPEB) Plans. Statement No. 75 provides guidance on employer reporting for employer governmental entities whose employees are provided with OPEB. Under Statement No. 75, LABBB is required to report the effects of OPEB-related transactions and events on its financial statements and to provide information about LABBB’s OPEB obligations and the assets available to satisfy the obligations. Previously, LABBB recognized its Net OPEB obligation over a 30-year period in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Under Statements No. 74 and 75, LABBB is required to recognize its Net OPEB liability immediately. The beginning net position on the government-wide financial statements as a result of the cumulative effect of this change in accounting principle decreased in the amount of \$10,072,092 from the amount previously reported in the financial statements for the year ended June 30, 2017. There was no change in the opening balance in the governmental fund balance as a result of the cumulative effect of this change in accounting principle.

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE A – continued**

Government-wide Financial Statements

In the government-wide Statement of Net Position, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. LABBB's net position is reported in three parts—net investment in capital assets; restricted, as applicable; and unrestricted. LABBB first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. LABBB does not allocate indirect expenses to functions in the statement of Activities. Program revenues included charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

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

The emphasis in fund financial statements is on the major funds in the governmental activities categories. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. LABBB may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The following governmental fund types are used by LABBB - LABBB does not use proprietary funds:

Governmental Funds:

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

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

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

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE A – continued**

**Fiduciary Funds:**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net position and changes in net position presented in fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (retiree health insurance participants) and cannot be used to address activities or obligations of LABBB, these funds are reported separately from that of LABBB’s government-wide activities.

**Basis of Accounting and Measurement Focus**

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

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

**Fair Value Measurements and Investments**

LABBB has contributed \$3,000,000 to a public employee retirement trust account with U.S Bank National Association as trustee, on behalf of its retirees’ health insurance trust fund. The trustee invests the funds in Vanguard mutual funds. As of June 30, 2018, the balance in these investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Mutual Funds	\$3,000,000	\$3,050,067	\$50,067

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

Net increase in the fair value on investments for the year ended June 30, 2018 was \$50,067. There were no realized gains or losses during the year ended June 30, 2018. Investment fees for the year ended June 30, 2018 were \$1,833.

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE A – *continued***

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

**Revenues**

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

**Cash and Cash Equivalents**

Cash equivalents include cash balances maintained in checking accounts and money market accounts. For purposes of the statement of cash flows, LABBB considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

LABBB maintains cash and cash equivalent balances at two institutions located in Massachusetts. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. LABBB's cash balances, at times, may exceed federally insured limits. LABBB monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. LABBB also maintains cash and cash equivalents at the Massachusetts Municipal Depository Trust which is collateralized by its underlying assets.

The Board of Directors of LABBB has set aside cash in reserve for operations. The reserve for operations is based on 10% of LABBB's next fiscal year budget (see Note D), as approved by the Board of Directors. As of June 30, 2018, the cash reserved for operations was \$2,540,028.

**Accounts Receivable**

Accounts receivable are carried at their net realized value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. At June 30, 2018, management has recorded an allowance for doubtful accounts of \$60,172.

**Equipment and Improvements**

Equipment is stated at cost at the date of acquisition. Depreciation is provided in amounts sufficient to allocate the cost of depreciable assets to operations over their estimated service lives on the straight-line basis. Expenditures for repairs and maintenance are charged to expense as incurred. Equipment and improvements are being depreciated over useful lives ranging from three to five years.

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE A – *continued***

**Deferred Revenue**

Deferred revenue consists primarily of amounts received from cities and towns for programs in which services have not yet been provided under the terms of the agreement.

**Member Credits**

The member school districts have elected to make a portion of current and prior year surpluses available to them for future application to service and tuition billings. Member credits are recognized as obligations when approved by the board. During 2018, \$1,300,000 of new credits was issued to the member districts. All five member school districts have available credits totaling \$1,024,997 at June 30, 2018.

**Compensated Absences**

It is LABBB's policy to permit certain employees to accumulate earned but unused vacation pay benefits up to specified limits. Employees may use this time in addition to other vacation time earned each year. Unused time is paid to the employee upon termination or retirement. Compensated absences are recorded as a non-current liability in the Statement of Net Position.

**Postemployment Healthcare Plan**

LABBB follows standards which require the recognition and disclosure of the liability for benefits of current and former employees, as calculated in an actuarial study, over a period not to exceed thirty years, as well as the disclosure of actuarial assumptions and methods used (see Note G).

**Equity Classifications**

**Government-wide Statements**

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

*Net position invested in capital assets* – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end the portion of the debt attributable to the unspent proceeds are not included in the calculation or invested in capital assets. LABBB has no bonded debt on Capital assets at June 30, 2018.

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

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

**Fund Financial Statements**

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

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

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

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE A – continued**

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

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

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

LABBB’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.

**Functional Allocation of Expenses**

Fringe benefit and administrative costs have been allocated to functions based on a percentage of salary cost and have been summarized on a functional basis in the statement of revenues, expenses and changes in net position. Accordingly, these costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant management estimates included in the financial statements relate to the allowance for doubtful accounts receivable, useful lives of depreciable assets, fair value of certain investments, measurement of actuarial obligations for defined postemployment health care benefits, and the allocations of common expenses over program functions.

**Income Tax Status**

LABBB was established under Chapter 40 Section 4(e) under the general laws of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

**Uncertain Tax Positions**

LABBB accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. LABBB has identified its tax status as a tax-exempt entity as its only significant tax position; however, LABBB has determined that such tax position does not result in an uncertainty requiring recognition. LABBB is not currently under examination by any taxing jurisdiction. As a Chapter 40 government entity, LABBB is exempt from filing certain non-profit filings and, accordingly, there are no returns currently open for examination.

**Subsequent events**

LABBB has evaluated subsequent events through December 20, 2018, the date the financial statements were available to be issued.

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included the following at June 30, 2018:

Bank balance of cash and cash equivalents	\$ 7,284,513
Petty cash	15
Deposits held in a Massachusetts Municipal Depository Trust	4,618,091
Reconciling items (deposits in transit, outstanding checks, etc.), net	<u>(110,218)</u>
Total cash and cash equivalents as reported on the statement of net position	<u>\$11,792,401</u>
Bank deposits insured by the Federal Deposit Insurance Corporation	<u>\$ 250,000</u>

\*Subsequent to June 30, 2018, LABBB transferred its cash and cash equivalents balances previously held with Rockland Trust to Brookline Bank. Brookline Bank is a member of the Depositors Insurance Fund which insures all balances in excess of the FDIC insured limit in full. LABBB's cash and cash equivalent balances became fully insured on August 24, 2018.

**NOTE C – EQUIPMENT AND IMPROVEMENTS**

Equipment and improvement activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment and improvements:				
Equipment	\$ 7,732	\$ -	\$ -	\$ 7,732
Leasehold improvements	<u>139,405</u>	<u>45,997</u>	<u>(77,691)</u>	<u>107,711</u>
Total at historic cost	147,137	45,997	(77,691)	115,443
Accumulated depreciation	<u>(63,655)</u>	<u>(26,046)</u>	<u>54,384</u>	<u>(35,317)</u>
	<u>83,482</u>	<u>19,951</u>	<u>(23,307)</u>	<u>80,126</u>

**NOTE D – LEASE COMMITMENTS**

LABBB has entered into operating lease agreements for office equipment and vehicles used to transport students, which expire at various times through 2022. Under the lease arrangements, if LABBB terminates a vehicle lease prior to the full term of the lease, LABBB is obligated to pay one-half of the remaining monthly rentals. Total rental expense was approximately \$211,082 for the year ended June 30, 2018.

Subsequent to June 30, 2018, but before the financial statements were available to be issued, LABBB entered into an operating lease agreement for office space in Burlington, Massachusetts. Monthly rent under the agreement is \$5,329 from August 1, 2018 to July 31, 2019, \$5,489 from August 1, 2019 to July 31, 2020, and \$5,654 from August 1, 2020 to July 31, 2021. The lease can be extended for up to three years in one-year increments based on approval of both parties.

The approximate minimum future obligations on the lease agreements at June 30, 2018 are as follows:

2019	\$ 248,449
2020	245,273
2021	203,280
2022	19,997
2023	-
	<u>\$ 716,999</u>

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE E – RELATED PARTY TRANSACTIONS**

LABBB obtained certain administrative, accounting, supporting services and other resources from EDCO Collaborative (“EDCO”) through a signed agreement. Four of five board members districts for LABBB also make up part of the sixteen voting board members for EDCO.

In June, 2014, LABBB entered into a management services and rent/use of space agreement with EDCO. The agreement covers the period of July 1, 2017 to June 30, 2018 for management services and July 1, 2014 to June 30, 2019 for rent/use of space. The fee for the rent/use of space is determined on an annual basis by the EDCO Board of Directors upon approval of the annual budget. For the year ended June 30, 2018, the service fee incurred was \$452,252. LABBB will be separating from the management services and rent/use agreement with EDCO on June 30, 2018 and moving to their own central office at 123 Cambridge Street in Burlington, MA in August 2018. A separation agreement has been negotiated.

LABBB entered into a joint venture in fiscal 2009 with EDCO to establish the LABBB-EDCO Transportation Network (“the Transportation Network”). During fiscal 2018, LABBB billed EDCO \$208,744 for transportation management services provided to the Transportation Network. Also, EDCO provided accounting and financial services for the Transportation Network and charged LABBB \$34,985, which represents direct costs for these services. This joint venture is expected to continue through fiscal 2019 and the service fees are expected to be similar to fiscal 2018.

**NOTE F - MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREE SYSTEMS**

**Plan Descriptions**

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

**Benefits Provided**

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

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

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



**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE F – continued**

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

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

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

**Contributions**

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

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

Educational Collaboratives contribute amounts equal to the normal cost of employees’ benefits participating in MSERS at a rate established by the Public Employees’ Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, 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 collaboratives. During fiscal year 2018, LABBB’s contributions on behalf of employees totaled \$339,486.

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

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

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

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE F – *continued***

LABBB is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity under both MSERS and MTRS. Since the employers do not contribute directly to each system beyond the MSERS annual normal cost, there is no net pension liability to recognize. However, the notes to the financial statements must disclose the portion of the nonemployer contributing entities' share of the collective net pension liability that is associated with the employer. In addition, LABBB must recognize its portion of the collective pension expense as both a revenue and pension expense.

The nonemployer contributing entities' share of the collective net pension liability that is associated with LABBB was measured as of June 30, 2017 and was \$11,853,589 and \$24,623,917 under MSERS and MTRS, respectively. In fiscal year 2018, LABBB recognized revenue and related expense of \$1,533,772 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2018, LABBB recognized revenue and related expense of \$2,570,070, (under GASB Statement No. 68) for its portion of the collective pension expense under MTRS. These amounts are recorded as Intergovernmental revenue and expense in the financial statements.

**NOTE G – RETIREMENT HEALTH BENEFITS**

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

Description

LABBB offers comprehensive medical, dental and life insurance through the Group Insurance Commission to eligible employees. Eight retirees/spouses have been grandfathered into medical insurance plans through Blue Cross Blue Shield or Harvard Pilgrim. An employee hired before April 2, 2012 shall become eligible to retire under these programs upon meeting the following conditions:

- i. Completion of 10 years of continuous service at LABBB
- ii. And attainment of age 55 as an active member
- iii. Or completion of 20 years of continuous service at LABBB, regardless of age

An employee hired after April 2, 2012 shall become eligible to retire under these programs upon meeting the following conditions:

- i. Completion of 10 years of continuous service at LABBB
- ii. And attainment of age 60 as an active member

The plan is administered by LABBB and LABBB shares in 40% of premiums for medical insurance. Eleven retirees are grandfathered into cost sharing arrangements where they pay 10%-25% of premiums. LABBB does not share in the premiums for dental insurance. LABBB shares in 50% of the premiums for life insurance.

Funding Policy

The contribution requirements of plan members and LABBB are established and may be amended through LABBB ordinances. For the 2018 fiscal year total LABBB premiums plus implicit costs for the retiree medical program were \$352,674. LABBB made a contribution to an OPEB Trust of \$3,000,000 for the fiscal year 2018 for a total contribution of \$3,352,674.

Investment Policy

LABBB has not established a formal Investment Policy.

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE G – continued**

Actuarially Determined Contribution (ADC)

LABBB’s Actuarially Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The following table shows the components of LABBB’s annual ADC for the fiscal year and the amount actually contributed to the plan:

<b>Actuarially Determined Contribution - Deficiency / (Excess)</b>	
	<b><u>June 30, 2018</u></b>
I. Service Cost	\$ 987,151
II. 30-year amortization of NOL at 3.00%	897,810
III. Actuarial Determined Contribution [I. + II.]	1,884,961
IV. Contributions in relation to the actuarially determined contribution	(352,674)
V. Contribution deficiency / (excess) [III. + IV.]	<u>\$1,532,287</u>
Covered employee payroll	\$13,550,247
Contribution as a % of covered employee payroll	2.60%

Funded Status and Funding Progress

As of the June 30, 2017 Measurement Date, the plan was 0.00% funded. However, during fiscal year 2018, LABBB funded the OPEB Trust with \$3,000,000. The Total OPEB Liability (TOL) for benefits was \$18,828,765, and the Fiduciary Net Position was \$3,050,067, resulting in a Net OPEB Liability (NOL) of \$15,778,698 for fiscal year 2018. The plan was 16.20% funded. The covered payroll (annual payroll of active employees covered by the plan) was \$13,550,247 and the ratio of the NOL to the covered payroll was 129.9% at the Measurement Date.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the actuarially determined contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding process, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Total OPEB Liabilities for benefits.

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE G – continued**

Schedule of Funding Progress

Measurement Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio	Covered Payroll	NOL as a % of Covered Payroll
6/30/2019 (est.)	\$3,050,067	\$20,167,011	\$17,116,944	15.1%	\$14,375,457	119.1%
6/30/2018 (est.)	\$3,050,067	\$18,828,765	\$15,778,698	16.2%	\$13,956,754	113.1%
6/30/2017	\$ -	\$17,596,020	\$17,596,020	0.0%	\$13,550,247	129.9%
6/30/2016	\$ -	\$14,370,716	\$14,370,716	0.0%	\$13,155,579	109.2%
6/30/2015	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2014	\$ -	\$10,386,432	\$10,386,432	0.0%	N/A	N/A

OPEB Liability, OPEB Expense and ADC

	Fiscal Year Ended June 30, 2018	
	District Employees and Retirees	Total
I. Total OPEB Liability	\$18,828,765	\$18,828,765
II. Fiduciary Net Position as of June 30, 2018	3,050,067	3,050,067
III. Net OPEB Liability (Asset) [I.-II.]	15,778,698	15,778,698
IV. Service Cost	987,151	987,151
V. Interest on Net OPEB Liability (Asset) and Service Cost	598,268	598,268
VI. Deferred (Inflows)/Outflows from Plan Design Changes	-	-
VII. Deferred (Inflows)/Outflows from Plan Experience	-	-
VIII. Deferred (Inflows)/Outflows from Changes in Assumptions	-	-
IX. Projected Earnings on OPEB Plan Investments	(50,067)	(50,067)
X. Deferred (Inflows)/Outflows from Earnings on Investments	-	-
XI. Employer Share of Costs	(352,674)	(352,674)
XII. Employer Payments (Withdrawals) to/from OPEB Trust	-	-
XIII. Total Employer Contribution [XI.+XII.]	(352,674)	(352,674)
XIV. Net OPEB Expense [IV.+V.+VI.+VII.+VIII.+IX.+X.+XIII.]	\$1,182,678	\$1,182,678
XV. Actuarial Determined Contribution (ADC)	\$1,884,961	\$1,884,961
XVI. Total Expected Contribution	\$ 352,674	\$ 352,674
XVII. Percentage of ADC Contributed [XVI./XV.]	19%	19%

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE G – continued**

Effect of 1% Change in Healthcare Trend

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Net OPEB Liability as of the July 30, 2017 Measurement Date would increase to \$24,504,126 or by 39.3% and the corresponding Service Cost would increase to \$1,561,086 or by 58.1%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Net OPEB Liability would decrease to \$12,426,316 or by 29.4% and the corresponding Service Cost would decrease to \$588,279 or by 40.4%.

Effect of 1% Change in Discount Rates

As of the June 30, 2017 Measurement Date, if the discount rate were 1% higher than what was used in this valuation, the Net OPEB Liability would decrease to \$14,778,183 or by 16.0% and the corresponding Service Cost would decrease to \$747,753 or by 24.3%. If the discount rate were 1% lower than was used in this valuation, the Net OPEB Liability would increase to \$21,232,755 or by 20.7% and the corresponding Service Cost would increase to \$1,320,735 or by 33.8%.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Individual Entry Age Normal  
Discount Rate: 3.25% per annum (previously 4.00%)  
Healthcare Trend Rates:

Year	Medical	Dental
FY 2013	6.0%	5.5%
FY 2014	5.0%	5.0%
FY 2015	5.0%	5.0%
FY 2016	5.0%	5.0%
FY 2017	5.0%	5.0%
FY 2018	5.0%	5.0%
FY 2019	5.0%	5.0%
FY 2020 +	5.0%	5.0%

General Inflation Assumption: 2.75% per annum  
Annual Compensation Increases: 3.00% per annum  
Actuarial Value of Assets: Market Value

Recognition of OPEB Trust Assets

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

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE G – continued**

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

Under the Patient Protection and Affordable Care Act (“PPACA”), an excise tax will be imposed for tax years beginning after December 31, 2019 (formerly December 31, 2017, but amended by Congressional Legislation) for high cost employer sponsored health coverage. The law specified a 40% excise tax to be paid by the provider of such coverage of the excess value beyond a basic dollar amount plus an additional “kicker” for qualified retirees or those engaged in a high-risk profession. The projected 2020 threshold amounts are \$11,850 for single coverage and \$30,950 for family coverage and a “kicker” amount of \$1,650 for single coverage and \$3,450 for family coverage.

For the fiscal year ended June 30, 2018, the TOL for the excise tax is \$55,712 and the increase in OPEB Expense is \$12,280. Given LABBB’s premiums through the 2018 fiscal year and the excise tax threshold, LABBB’s average single premiums are \$5,085 below the excise tax threshold and LABBB’s average family premiums are \$10,503 below the excise tax threshold. As more regulatory guidance becomes available, the calculation of the excise tax liability will evolve.

**NOTE H – CONCENTRATIONS OF CREDIT RISK**

Approximately 50% of all revenues are derived from the member school districts in 2018. Two member towns represented 27% of all revenue in 2018. At June 30, 2018, two member towns represented approximately 42% of total accounts receivable.

**NOTE I – FISCAL 2019 BUDGET**

LABBB has authorized a fiscal 2019 operating budget totaling approximately \$25,400,000 which management expects to fully fund through tuitions, governmental grants, and other receipts.

**NOTE J – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW CHAPTER 40 § 4E**

Names, duties and total compensation for the five most highly compensated employees

The Commonwealth of Massachusetts requires educational collaboratives to disclose the name, duties and total compensation of the 5 most highly compensated employees.

<u>Employee Name</u>	<u>Title</u>	<u>Salary</u>	<u>Health Insurance Employer Portion</u>	<u>Total</u>
Patric Barbieri	Executive Director	\$163,956	\$14,994	\$178,950
Margaret Sheehan	Special Education Teacher	\$122,684	\$17,606	\$140,290
James Kelly	Program Director	\$120,491	\$17,606	\$138,097
Donna Goodell	Program Director	\$120,491	\$14,994	\$135,485
Paula Rizzo	Integration Recreation Coordinator	\$119,595	\$14,534	\$134,129

Executive Director –The duties of the executive director include providing leadership in planning, development and operation of LABBB programs and services, insuring proper fiscal management of LABBB programs and services, developing and presenting a budget to the Board of Directors, implementing policies and procedures established by the Board of Directors, recommending changes as necessary, and representing LABBB on various local and state task forces, committees and advisory boards.

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE J – *continued***

Program Director – The duties of the program director include advertising, interviewing and hiring all staff with final Executive Director approval, supervising and evaluating all professional staff, designing program handbooks, resources and training manuals and staff policy manuals, designing all professional development programs and conferences for all staff, conducting meetings on IEPs, transitions and parent’s council, and attending meetings on case conferences, student progress and professional consults.

Special Education Teacher – The duties of the special education teacher include designing and implementing curriculum, consulting with vocational, educational and specialist staff, developing and implementing appropriate behavioral programming that stresses positive reinforcement practices, attending student and staff meetings, and communicating with parents.

Integration Recreation Coordinator – The duties of the integration recreation coordinator include supervising and evaluating APE teachers, aides, assistants and specialists assigned to all gym classes and field trips, overseeing all after school recreation programs including field trips and extended day, coordinating all Belmont LABBB recreational activities and all weekend field trips, and attending meetings with coordinators, quality planning, IEPs, progress meetings and case conferences.

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

LABBB does not provide services to individuals age 22 or older.

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

LABBB does not hold any accounts on behalf of others, except for member credits held for future use described in Note A.

**Transactions between the collaborative and any related for-profit or non-profit organization**

Related party transactions are described in Note E to the financial statements.

**Transactions or contracts related to purchase, sale, rental or lease of real property**

Transactions or contracts related to the purchase, sale, rental, or lease of real property are described in Note D to the financial statements.

**Amounts expended on administration and overhead**

Total administrative costs incurred by LABBB totaled \$1,344,989 for the year ended June 30, 2018. Administrative expenses include all costs that cannot be directly or reasonably applied to a program of LABBB. Administrative expenses include salaries, related benefits and payroll taxes, associated with LABBB’s administrative office (i.e., Executive Director, finance staff, human resources, etc.), as well as other costs associated with maintaining that office (i.e. occupancy, supplies, etc.). LABBB directly applies salaries, where appropriate, to its programs and allocates related employee benefits and taxes to those programs. Occupancy, supplies, maintenance and any other cost that can be directly applied, or reasonably allocated, are reported under program expense. See Note A for a description of the functional allocation of expenses.

**LABBB Collaborative**  
Notes to Financial Statements  
June 30, 2018

**NOTE J – continued**

**Annual determination and disclosure of cumulative surplus**

Cumulative Surplus Calculation - FY18		Page(s) in financial statements
(A)	Voted Cumulative Surplus as of 6/30/17	\$ 13,686,681 (A) <u>p. 11</u>
(B)	1 Amount of (A) used to support the FY18 Budget (B)1	\$ -
	2 Amount of (A) returned to member districts (B)2	\$1,300,000
	(B)1 + (B)2 = (B)	\$ 1,300,000 (B)
(C)	Unexpended FY18 General Funds	\$ (2,881,728) (C) <u>p. 11</u>
(D)	Cumulative Surplus as of 6/30/18 (A) - (B) + (C) = (D)	\$ 9,504,953 (D)
(E)	FY18 Total General Fund Expenditures*	\$ 30,133,524 (E) <u>p. 11</u>
(F)	Cumulative Surplus Percentage (D) ÷ (E)	32% (F)
	Estimated Amount of Excess Cumulative Surplus as of 6/30/18	\$ 1,971,572

\* Excludes intergovernmental expense, includes transfers to postemployment benefits trust and Capital Reserve Fund.

\*\*LABBB has developed a plan regarding its cumulative surplus subject to approval by the Massachusetts Department of Elementary and Secondary Education. LABBB's Board of Directors has approved funding of the OPEB Trust in the amount equal to 25% of the excess cumulative surplus as of June 30, 2018. The remaining 75% of the excess cumulative surplus will be returned to the member districts in accordance with the Collaborative Agreement.



**LABBB Collaborative**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
of the General Fund - Budget to Actual - Budgetary Basis  
For the Year Ended June 30, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Tuition and services revenue	\$ 18,446,060	\$ 20,015,771	\$ 1,569,711
Industry revenue	129,000	100,921	(28,079)
Recreation revenue	-	182,133	182,133
Transportation revenue	6,565,625	6,647,079	81,454
Contributions	-	11,063	11,063
Home services revenue	135,062	216,575	81,513
Intergovernmental revenue*	-	4,103,842	4,103,842
Interest	-	75,222	75,222
Other	-	3,032	3,032
<b>Total Revenues</b>	<u>25,275,747</u>	<u>31,355,638</u>	<u>6,079,891</u>
<b>Expenditures:</b>			
Administration	981,595	1,376,161	(394,566)
Educational and instructional	17,728,527	17,089,104	639,423
Transportation expense	6,565,625	6,622,262	(56,637)
Intergovernmental expense*	-	4,103,842	(4,103,842)
Capital outlay, net of debt incurred	-	45,997	(45,997)
<b>Total Expenditures</b>	<u>\$ 25,275,747</u>	<u>\$ 29,237,366</u>	<u>\$ (3,961,619)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ 2,118,272</u>	<u>\$ 2,118,272</u>
<b>Other Budget Items:</b>			
OPEB obligation funding	-	3,000,000	(3,000,000)
Transfer to restricted funds	-	2,000,000	(2,000,000)
Credits to member districts	-	1,300,000	(1,300,000)
	<u>\$ -</u>	<u>\$ 6,300,000</u>	<u>\$ 6,300,000</u>

\*The Collaborative prepares its annual budget on a basis (budget basis), which differs from generally accepted principles (GAAP basis). The budget and all transactions are presented in accordance with the Collaborative's method (budget basis) in the above schedule to provide meaningful comparison of actual results with budget. There are no reconciling items between GAAP and budget basis in this statement. Intergovernmental revenue and expense is not budgeted by the Collaborative because it is actuarially determined annually and does not require actual expenditure by the Collaborative. Certain expenses may be grouped differently than the actual amounts presented.

\*\*The Collaborative included estimated other postemployment benefits (OPEB) expense in its original budget. However, OPEB expense is not considered a general fund expenditure.

See independent auditor's report.

**LABBB Collaborative**  
OPEB Plan - Required Supplementary Information  
As of Actuarial Measurement Date - June 30, 2017

Notes to Required Supplementary Information:

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2016.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2017.

Actuarial Assumptions:

Investment Rate of Return:	6.50%, net of OPEB plan investment expense, including inflation.
Single Equivalent Discount Rate:	3.25%, net of OPEB plan investment expense, including inflation.
Inflation:	2.75% as of June 30, 2017 and for future periods
Salary Increases:	3.00% annually as of June 30, 2017 and for future periods
Cost of Living Adjustment:	Not Applicable
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled Mortality:	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

Plan Membership

Plan Membership: At June 30, 2016, the OPEB plan membership consisted for the following

Inactive employees or beneficiaries currently receiving benefits:	56
Active Employees:	<u>213</u>
Total:	<u>269</u>

**LABBB Collaborative**  
OPEB Plan - Required Supplementary Information  
As of Actuarial Measurement Date - June 30, 2017

Notes to Required Supplementary Information (Continued):

Changes in Assumptions:                      Effective June 30, 2017

\* Discount rate is 3.25% previously 4.00%

Contributions:

The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. The required contribution is based on the projected pay-as-you-go financing requirement. Total Collaborative premiums plus implicit costs for the retiree medical program are \$352,674 for the 2018 fiscal year.

**LABBB Collaborative**  
Schedule of the Collaborative's Proportionate Share of Net Pension Liability  
For the Year Ended June 30, 2018

		<u>MTRS</u>	<u>MSERS</u>
Collaborative's proportion of net pension liability	FY2014	0.11531%	0.09117%
	FY2015	0.11190%	0.09117%
	FY2016	0.10806%	0.09557%
	FY2017	0.10760%	0.09243%
Collaborative's proportionate share of net pension liability	FY2014	\$ 18,330,401	\$ 6,965,184
	FY2015	\$ 22,927,185	\$ 10,377,586
	FY2016	\$ 24,159,633	\$ 13,177,680
	FY2017	\$ 24,623,917	\$ 11,853,589
Collaborative's covered-employee payroll	FY2014	\$ 6,953,746	\$ 4,970,167
	FY2015	\$ 7,035,045	\$ 4,989,671
	FY2016	\$ 6,174,790	\$ 5,340,375
	FY2017	\$ 7,222,908	\$ 5,543,671
Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll	FY2014	263.60%	140.14%
	FY2015	325.90%	207.98%
	FY2016	391.26%	246.76%
	FY2017	340.91%	213.82%
Plan fiduciary net position as a percentage of total pension liability	FY2014	61.64%	76.32%
	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%
	FY2017	54.25%	67.21%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note F to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2017.

Schedule Presentation

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

See independent auditor's report.

**LABBB Collaborative**  
Schedule of Pension Contributions  
For the Year Ended June 30, 2018

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<b><u>MTRS</u></b>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 6,953,749	\$ 7,034,045	\$ 6,174,790	\$ 7,222,908
Contributions as a percentage of covered-employee	0.00%	0.00%	0.00%	0.00%

**MSERS**

Contractually required contribution	\$ 278,330	\$ 279,422	\$ 298,090	\$ 310,469
Contributions in relation to the contractually required	\$ 278,330	\$ 279,422	\$ 298,090	\$ 310,469
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 4,970,167	\$ 4,989,671	\$ 5,340,375	\$ 5,543,671
Contributions as a percentage of covered-employee	5.60%	5.60%	5.58%	5.60%

**Notes to Required Supplementary Information**

MTRS is the Massachusetts Teachers' Retirement

MSERS is the Massachusetts State Employees'

Also, see Note F to financial statements

**Measurement Date**

The amounts presented in this schedule were determined as of June 30, 2017.

**Schedule Presentation**

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

**Contributions**

The Collaborative is required to pay an annual appropriation as established by the Public Employees' Retirement Administration Commission (PERAC) for MSERS. No contribution is required for MTRS. The Commonwealth of Massachusetts as a nonemployer is legally responsible for the entire past service cost related to the Collaborative and therefore has a 100% special funding situation.



**FRITZ DEGUGLIELMO LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**& BUSINESS ADVISORS**

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

To the Board of Directors of  
LABBB Collaborative  
Burlington, 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 LABBB Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise LABBB Collaborative's basic financial statements, and have issued our report thereon dated December 20, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether LABBB 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 determination of financial statement amounts. 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.

Fritz DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts

December 20, 2018

*Patric Barbieri*  
Executive Director

*Matthew Cameron*  
Financial Administrator



*Donna Goodell, Program Director*  
Pre-school, Elementary & Middle School Programs

*James Kelly, Program Director*  
High School Programs

## ACCEPTANCE OF THE BOARD OF DIRECTORS

We, the Board of Directors of the LABBB Collaborative, have voted to accept the representations of management and the expression of the opinions made by Fritz DeGuglielmo LLC as embodied in the financial statements, supplemental schedules and independent auditor's reports for the year ended June 30, 2018.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and under Commonwealth of Massachusetts laws for the year ended June 30, 2018.

A large, handwritten signature in blue ink, appearing to read "G. Goodell", is written over a horizontal line. Below the line, the text "Board Chair" is printed. Underneath the signature, the date "7-20-2018" is handwritten in blue ink.

Board Chair

Date