LABBB Collaborative

Financial Statements

For the Year Ended June 30, 2017

LABBB Collaborative

Contents

For the Year Ended June 30, 2017

FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LABBB Collaborative
Bedford, 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, 2017, 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, 2017, 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.

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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 25-27 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 14, 2017, 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 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.

Fritz DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts
December 14, 2017

The following discussion and analysis of the LABBB Collaborative's ("LABBB") financial performance provides and overview of LABBB's financial activities for the fiscal year ended June 30, 2017 and summarized comparative information for 2016. 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 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.

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, 2017 increased $873,927 or 3.4% from the prior fiscal year, excluding retirement systems on-behalf revenue. The increase is primarily due to the transfer of responsibility for the LABBB-EDCO transportation network revenue from EDCO Collaborative. The industry, extended services, transportation network, recreation, fundraisers, contributions and transportation programs experienced increases in revenue, while tuition, home services and grants revenue decreased.

Member credits can be used to reduce amounts due to LABBB Collaborative from member districts for special education services provided by LABBB. No member credits were issued in fiscal year 2017. At June 30, 2017, five member districts had available unapplied credits totaling $1,093,697.

Interest income increased $26,104. 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 2017.

Expenditures

Expenditures for the fiscal year ended June 30, 2017 increased $1,604,691 or 6.8% from the prior fiscal year, excluding retirement systems on-behalf expense. Instructional and other program and administrative expenditures increased due to higher personnel costs, while a transfer of responsibility for the LABBB-EDCO transportation network expenditures from EDCO Collaborative increased expenditures for transportation.

Expenditures for both fiscal years include the annual postemployment benefit cost accrued for the retiree healthcare plan; the costs were $556,780 in fiscal year 2017 and $556,780 in fiscal year 2016. The amounts were determined by an actuarial study, as of July 1, 2014. The plan is offered to retired LABBB employees who meet specific eligibility requirements.

Change in Net Position

The change in net position or net assets for the fiscal year ended June 30, 2017 is $1,186,494, a decrease of $4,660 from the prior fiscal year change in net position.

Total Assets

Total assets as of June 30, 2017 increased $731,395 or 4.7% from June 30, 2016. Cash increased $603,265 and accounts receivable increased $128,862. The increase in cash is due to increased revenues during fiscal 2017. The increase in accounts receivable is due to higher enrollments 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 $4,524,924 invested with the MMDT during fiscal year 2017 and the largest investment during that period was $4,545,971.

Prepaid expenditures decreased $7,917 from the prior year. The decrease is related primarily to not pre-paying for Harris School Solutions as was done in 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 2017, assets were purchased in the amount of $28,984. Depreciation expense for the year ended June 30, 2017 was $21,799.

Liabilities and Net Position

Total liabilities as of June 30, 2017 decreased $455,099 or 4.2% from June 30, 2016. All liabilities are considered to be current with the exception of the accrued compensated absences and the accrued postemployment obligation. Accounts payable increased $45,689. The increase relates primarily to transportation network activity. All accounts payable in fiscal year 2017 and fiscal year 2016 were current. Accrued expenditures increased $110,300. The increase relates to accruing more days for the salary accrual than in fiscal 2016.

Member credits decreased $993,253. The decrease is related to use of $993,253 in member credits by member districts.

GENERAL FUND BUDGETARY HIGHLIGHTS

LABBB's annual budget for fiscal 2017 was approved by its Board of Directors. During fiscal 2017, actual revenues, excluding retirement systems on-behalf revenue, exceeded the budget by $2,394,129. The tuition revenue was higher than projected by $1,468,736, due to higher than projected enrollments. Also, the budget excluded some non-tuition based revenues, including industry, extended services, recreation, contributions, grants and interest, which totaled $597,672 for the year ended June 30, 2017.

During fiscal 2017, LABBB incurred actual expenditures, excluding retirement systems on-behalf expense, of $24,773,779 compared to budgeted expenditures of $23,910,474. The difference between budgeted and actual expenditures is due mainly to higher than expected transportation costs

KNOWN FACTS, DECISIONS, OR CONDITIONS

LABBB implemented a new standard from the Government Accounting Standards Board (GASB), Statement No. 45, in fiscal year 2009. The standard relates to the accounting and reporting by employers for postemployment benefits other than pensions. LABBB provides financial support for postemployment health benefits.

LABBB historically recorded the cost of the postemployment health benefits on a "pay as you go" basis. GASB Statement No. 45 requires these costs be recorded on an accrual basis and requires the disclosure of the postemployment 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 2017 and 2016. 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 2017 and 2016 are $556,780 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 5.6% 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, the Collaborative 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, the Collaborative must recognize its portion of the collective pension expense as both revenue and pension expense.

LABBB Collaborative

Statement of Net Position

June 30, 2017

		Governmental Activities
ASSETS		
Current Assets		
Cash and cash equivalents		
Cash available for operations	$	8,979,033
Cash reserved for postretirement plan obligations		1,300,000
Cash reserved for technology and improvements		150,000
Cash set aside for reserve		2,527,575
Accounts receivable, net		3,177,833
Prepaid expenses		239,623
Total Current Assets		16,374,064
Non-current Assets		
Equipment and improvements, net		83,482
Total Non-current Assets		83,482
Total Assets	$	16,457,546
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$	549,419
Accrued expenses		972,463
Deferred revenue		71,804
Member credits		1,093,697
Total Current Liabilities		2,687,383
Non-current Liabilities:		
Compensated absences		71,291
Other postemployment benefits		7,523,928
Total Long Term Liabilities		7,595,219
Total Liabilities		10,282,602
Net Position		
Unrestricted net position:		
General and other purposes		6,091,462
Net position invested in capital assets		83,482
Total Net Position		6,174,944
Total Liabilities and Net Position	$	16,457,546

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

LABBB Collaborative
Statement of Activities
For the Year Ended June 30, 2017

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Administration	$ 1,195,242	$ -	$ -	$ (1,195,242)
Educational and instructional	16,674,741	19,804,608	20,593	3,150,460
Transportation	6,669,541	6,433,058	-	(236,483)
Intergovernmental revenue and expense	4,294,532	-	4,294,532	-
Other postemployment benefits	556,780	-	-	(556,780)
Depreciation and amortization	21,799	-	-	(21,799)
Total Governmental Activities	$ 29,412,635	$ 26,237,666	$ 4,315,125	1,140,156
General Revenue:				
Interest				43,868
Other				2,470
Total General Revenue				46,338
Change in Net Position				1,186,494
Net Position, Beginning of Year				4,988,450
Net Position, End of Year				$ 6,174,944

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

LABBB Collaborative
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents			
Cash available for operations	$ 8,979,033	$ -	$ 8,979,033
Cash reserved for postretirement plan obligations	1,300,000	-	1,300,000
Cash reserved for technology and improvements	150,000	-	150,000
Cash set aside for reserve	2,527,575	-	2,527,575
Accounts receivable, net	3,177,833	-	3,177,833
Prepaid expenses	239,623	-	239,623
Total Assets	$ 16,374,064	$ -	$ 16,374,064
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 549,419	$ -	$ 549,419
Accrued expenses	972,463	-	972,463
Deferred revenue	71,804	-	71,804
Member credits	1,093,697	-	1,093,697
Total Liabilities	2,687,383	-	2,687,383
Fund Balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	3,977,575	-	3,977,575
Unassigned	9,709,106	-	9,709,106
Total Fund Balances	13,686,681	-	13,686,681
Total Liabilities and Fund Balances	$ 16,374,064	$ -	$ 16,374,064

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, 2017

Total fund balances, governmental funds	$13,686,681
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	83,482
The compensated absences liabilty is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activites of the Statement of Net Position.	(71,291)
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.	(7,523,928)
Net Position of Governmental Activities	$ 6,174,944

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

LABBB Collaborative

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Tuition and services revenue	$ 19,211,515	$ -	$ 19,211,515
Industry revenue	222,561	-	222,561
Recreation revenue	163,451	-	163,451
Transportation revenue	6,433,058	-	6,433,058
Contributions	15,775	-	15,775
Home services revenue	211,899	-	211,899
Intergovernmental revenue	4,294,532	-	4,294,532
Interest	43,868	-	43,868
Other	2,470	-	2,470
Total Revenues	30,599,129	-	30,599,129
Expenditures:			
Administration	1,182,478	-	1,182,478
Educational and instructional	16,674,741	-	16,674,741
Transportation expense	6,669,541	-	6,669,541
Other postemployment benefits	218,035	-	218,035
Intergovernmental expense	4,294,532	-	4,294,532
Capital outlay, net of debt incurred	28,984	-	28,984
Total Expenditures	29,068,311	-	29,068,311
Net Change in Fund Balances	1,530,818	-	1,530,818
Fund Balances, Beginning of Year	12,155,863	-	12,155,863
Fund Balances, End of Year	$ 13,686,681	$ -	$ 13,686,681

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, 2017

Net change in fund balances - total governmental funds	$ 1,530,818
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 Activitites 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	28,984
Depreciation	(21,799)
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	(12,764)
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	(338,745)
Change in net position of governmental activities	$ 1,186,494

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

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.

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.

NOTE A – *continued*

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.

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.

NOTE A – ***continued***

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 its postemployment plan obligations, technology and improvements, and an additional reserve for operations. The reserve for its postemployment plan obligations (see Note G) is based on an amount the Board of Directors deems acceptable on an annual basis and the reserve for operations is based on 10% of LABBB's next fiscal year budget (see Note I), as approved by the Board of Directors. As of June 30, 2017, the cash reserved for postemployment plan obligations was $1,300,000, for technology and improvements was $150,000, and for operations was $2,527,575.

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, 2017, management has recorded an allowance for doubtful accounts of $63,000.

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.

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.

NOTE A – *continued*

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 2017, no new credits were issued to the member districts. All five member school districts have available credits totaling $1,093,697 at June 30, 2017.

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 positon 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, 2017.

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.

NOTE A – *continued*

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

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

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

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

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.

NOTE A – *continued*

Subsequent events
LABBB has evaluated subsequent events through December 14, 2017, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following at June 30, 2017:

Bank balance of cash and cash equivalents	$ 8,499,116
Petty cash	15
Deposits held in a Massachusetts Municipal Depository Trust	4,545,971
Reconciling items (deposits in transit, outstanding checks, etc.), net	(88,494)
Total cash and cash equivalents as reported on the statement of net position	$12,956,608
Bank deposits insured by the Federal Deposit Insurance Corporation	$ 250,000

NOTE C – EQUIPMENT AND IMPROVEMENTS

Equipment and improvement activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment and improvements:				
Equipment	$ 7,732	$ -	$ -	$ 7,732
Leasehold improvements	110,421	28,984	-	139,405
Total at historic cost	118,153	28,984	-	147,137
Accumulated depreciation	(41,856)	(21,799)	-	(63,655)
Total equip. & improvements, net	$ 76,297	$ 7,185	$ -	$ 83,482

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 $223,741 for the year ended June 30, 2017.

The approximate minimum future obligations on the lease at June 30, 2017 are as follows:

2018	$196,916
2019	189,830
2020	179,566
2021	135,602
2022	14,343
Thereafter	-
	$ 716,257

NOTE E – RELATED PARTY TRANSACTIONS

LABBB obtains 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 twenty 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, 2016 to June 30, 2017 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, 2017, the service fee incurred was $432,465.

LABBB entered into a joint venture in fiscal 2009 with EDCO to establish the LABBB-EDCO Transportation Network ("the Transportation Network"). During fiscal 2017, LABBB billed EDCO $187,593 for transportation management services provided to the Transportation Network. Also, EDCO provided accounting and financial services for the Transportation Network and charged LABBB $49,607, which represents direct costs for these services. This joint venture is expected to continue through fiscal 2018; and the service fees are expected to be similar to fiscal 2017.

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.

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:

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

Educational Collaboratives contribute amounts equal to the normal cost of employees' benefits participating in MSERS at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% 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 2017, LABBB's contributions on behalf of employees totaled $310,469.

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

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

NOTE F – *continued*

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

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, 2016 and was $13,177,680 and $24,159,633 under MSERS and MTRS, respectively. In fiscal year 2017, LABBB recognized revenue and related expense of $1,830,091 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2017, LABBB recognized revenue and related expense of $2,464,441, (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 – POSTEMPLOYMENT HEALTHCARE BENEFITS

LABBB sponsors and administers a postemployment benefit plan (the "Plan") which provides health benefits to qualified retirees. As of July 1, 2014, the date of the most recent actuarial valuation, the Plan had a projected unfunded liability of approximately $7,186,742. In accordance with GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", this liability is being accrued over a period of time of thirty years. At June 30, 2017, the annual contribution required to meet this requirement was approximately $530,373, in addition to the normal benefit cost estimated at $356,969. Reporting and amortization of the unfunded liability began during fiscal 2009.

The contribution requirements of plan members and LABBB are established and may be amended through LABBB board action. The required contribution is based on the projected pay-as-you-go financing requirements.

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 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 short-term volatility in actuarial accrued liabilities, consistent with the long-term prospective of the calculations.

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 annual required 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.

NOTE G – *continued*

In the July 1, 2014 valuation, a frozen age actuarial cost method was used with allocation based on service. The unfunded actuarial liability is amortized over 30 years in level dollar amounts, starting fiscal 2009. The actuarial assumptions included a 6.00% discount rate and an annual healthcare cost trend rate of 7.00% initially, grading down to 2.5% in fiscal 2022 and later, in 0.75 point intervals. As of June 30, 2017, no investment vehicle has been established to fund the plan.

The rollforward of the accrued postemployment obligation as of June 30, 2017 and two preceding years was as follows:

	2017	2016	2015
Postemployment obligation at beginning of year	$7,185,183	$6,799,733	$6,410,750
Interest on net obligation	384,645	384,645	384,645
Annual required contribution	887,342	887,342	887,342
Adjustment to annual required contribution	(715,207)	(715,207)	(715,207)
Annual benefit cost	556,780	556,780	556,780
Benefit payments paid	(218,035)	(171,330)	(167,797)
Postemployment obligation at end of year	$7,523,928	$7,185,183	$6,799,733

NOTE H – CONCENTRATIONS OF CREDIT RISK

Approximately 49% of all revenues are derived from the member school districts in 2017. Two member towns represented 27% of all revenue in 2017. At June 30, 2017, two member towns represented approximately 37% of total accounts receivable.

NOTE I – FISCAL 2018 BUDGET

LABBB has authorized a fiscal 2018 operating budget totaling approximately $25,276,000 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.

Employee Name	Title	Salary	Health Insurance Employer Portion	Total
Patric Barbieri	Executive Director	$160,742	$14,745	$175,487
Margaret Sheehan	Special Education Teacher	$120,059	$16,579	$136,638
James Kelly	Program Director	$118,128	$16,579	$134,707
Donna Goodell	Program Director	$118,128	$14,745	$132,873
Francis Jackson	Special Education Teacher	$114,722	$14,745	$129,467

NOTE J – ***continued***

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.

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.

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 $1,195,242 for the year ended June 30, 2017. 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.

NOTE J – *continued*

Annual determination and disclosure of cumulative surplus

Cumulative Surplus Calculation - FY17							Page(s) in financial statements
(A)		Voted Cumulative Surplus as of 6/30/16			$ 12,155,863	(A)	p. 11
(B)	1	Amount of (A) used to support the FY17 Budget	(B)1	$ -			
	2	Amount of (A) returned to member districts	(B)2	$ -			
		(B)1 + (B)2 = (B)			$ -	(B)	
(C)		Unexpended FY17 General Funds			$ 1,530,818	(C)	p. 11
(D)		Cumulative Surplus as of 6/30/17 (A) - (B) + (C) = (D)			$ 13,686,681	(D)	
(E)		FY17 Total General Fund Expenditures*			$ 24,773,779	(E)	p. 11
(F)		Cumulative Surplus Percentage	(D) ÷ (E)		56%	(F)	
		Estimated Amount of Excess Cumulative Surplus as of 6/30/17			$ 7,493,236	**	

* Excludes Intergovernmental expense
** LABBB Collaborative has developed a plan regarding their cumulative surplus. The Board of Directors has approved funding of an OPEB Trust in the amount of $3,000,000. The Board also plans to transfer $2,000,000 into a Capital Reserve Fund. Of the $2,000,000, potentially $900,000 of it will be used to purchase vehicles for transportation so they can begin to move away from lease agreements. The remainder will be used for renovations of the spaces used by the Collaborative in several of the schools in which they perform services. The Capital Reserve Fund still needs approval from two thirds of member district school committees to be implemented. The remaining amount, $2,493,236, 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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Tuition and services revenue	$ 17,742,784	$ 17,742,779	$ 19,211,515	$ 1,468,736
Industry revenue	-	-	222,561	222,561
Recreation revenue	-	-	163,451	163,451
Transportation revenue	6,042,722	6,042,722	6,433,058	390,336
Contributions	-	-	15,775	15,775
Home services revenue	124,967	124,967	211,899	86,932
Intergovernmental revenue*	-	-	4,294,532	4,294,532
Interest	-	-	43,868	43,868
Other	-	-	2,470	2,470
Total Revenues	23,910,473	23,910,468	30,599,129	6,688,661
Expenditures:				
Administration	831,693	831,697	1,182,478	(350,781)
Educational and instructional	17,036,058	17,036,055	16,674,741	361,314
Transportation expense	6,042,722	6,042,722	6,669,541	(626,819)
Other postemployment benefits**	887,342	-	218,035	(218,035)
Intergovernmental expense*	-	-	4,294,532	(4,294,532)
Capital outlay, net of debt incurred	-	-	28,984	(28,984)
Total Expenditures	$ 24,797,815	$ 23,910,474	$ 29,068,311	$ (5,157,837)
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (887,342)	$ (6)	$ 1,530,818	$ 1,530,824
Other Budget Items:				
Credits to member districts	$ -	$ -	$ -	$ -

*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 meainingful 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.

LABBB Collaborative

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

For the Year Ended June 30, 2017

		MTRS	MSERS
Collaborative's proportion of net pension liability	FY2015	0.11190%	0.09117%
	FY2016	0.10806%	0.09557%
Collaborative's proportionate share of net pension liability	FY2015	$ 22,927,185	$ 10,377,586
	FY2016	$ 24,159,633	$ 13,177,680
Collaborative's covered-employee payroll	FY2015	$ 7,035,045	$ 4,989,671
	FY2016	$ 6,174,790	$ 5,340,375
Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll	FY2015	325.90%	207.98%
	FY2016	391.26%	246.76%
Plan fiduciary net position as a percentage of total pension liability	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note F to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2016.

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.

LABBB Collaborative
Schedule of the Pension Contributions
For the Year Ended June 30, 2017

	MTRS	MSERS
Fiscal 2015		
Contractually required contribution	$ -	$ 279,422
Contributions in relation to the contractually required contribution	$ -	$ 279,422
Contribution deficiency (excess)	$ -	$ -
Collaborative's covered-employee payroll	$ 7,035,045	$ 4,989,671
Contributions as a percentage of covered-employee payroll	0.00%	5.60%
Fiscal 2016		
Contractually required contribution	$ -	$ 298,090
Contributions in relation to the contractually required contribution	$ -	$ 298,090
Contribution deficiency (excess)	$ -	$ -
Collaborative's covered-employee payroll	$ 6,174,790	$ 5,340,375
Contributions as a percentage of covered-employee payroll	0.00%	5.58%

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, 2016.

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 situtation.

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
Bedford, 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, 2017, 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 14, 2017.

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.

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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 14, 2017

Patric Barbieri
Executive Director

Maria Giangrande
Administrative Assistant

LABBB
Collaborative Programs
Since 1974

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

James Kelly, Program Director
High School Programs

December 14, 2017

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, 2017.

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, 2017.

Kathleen Bodie

Board Chair

12/14/17

Date

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