

LABBB Collaborative

Financial Statements

For the Year Ended June 30, 2021

LABBB Collaborative
Contents
For the Year Ended June 30, 2021

	<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	32-35
Schedule of the Collaborative's Proportionate Share of Net Pension Liability	36
Schedule of Pension Contributions	37
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	38-39



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, 2021, 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 3-6 and 31-37 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 16, 2021

LABBB Collaborative
Management's Discussion & Analysis
June 30, 2021

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, 2021 and summarized comparative information for 2020. 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, 2021

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, 2021 decreased \$759,370 or 3.0% from the prior fiscal year, excluding retirement systems on-behalf revenue. The decrease is primarily due to decreases in tuition revenues. The tuition, recreation, industry, and transportation experienced decreases in revenue, while home services revenue increased.

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 \$700,000 were issued in fiscal year 2021. At June 30, 2021, \$700,000 remained in unapplied credits for the five member districts.

Interest income decreased \$65,511. The decrease is related to the decrease of average funds held in deposit as well as the decrease in the interest rate at the Massachusetts Municipal Depository Trust (MMDT) during fiscal year 2021.

Expenditures

Expenditures for the fiscal year ended June 30, 2021 decreased \$756,817 or 3.1% from the prior fiscal year, excluding retirement systems on-behalf expense and the annual post-employment benefit cost ("OPEB expense"). Instructional and other program expenditures decreased due to less instructional time related to the impact of COVID-19.

Change in OPEB net liability was a reduction of \$600,011 in fiscal year 2021 and a decrease of \$599,868 in fiscal year 2020. 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, 2021 was an increase of \$1,427,481. The change in net position is a result of revenues exceeding expenditures in the current fiscal year, net of member credits and change in net OPEB liability.

LABBB Collaborative
Management's Discussion & Analysis
June 30, 2021

Total Assets

Total assets as of June 30, 2021 increased \$302,914 or 2.4% from June 30, 2020. Cash decreased \$1,510,458, accounts receivable increased \$1,823,305, and prepaid expense increased by \$14,014. The primary decrease in cash is due to operations, net of a transfer of \$500,000 to the OPEB Trust Fund, a decrease in current liabilities of \$367,198 and, an increase of \$1,823,305 in accounts receivable. The increase in accounts receivable is due to delays in payments as a result of significant services provided in the fourth quarter of fiscal year 2021. LABBB maintains cash balances with Brookline Bank and the MMDT. Cash balances at Brookline Bank are maintained at levels that at times exceed FDIC protection. However, Brookline Bank is a member of the Depositor's Insurance Fund which insures all cash balances in full. 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 \$3,128,917 invested with the MMDT during fiscal year 2021 and the largest investment during that period was \$3,131,488.

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 2021, there was no purchase of fixed assets. Depreciation expense for the year ended June 30, 2021 was \$23,948.

Liabilities and Net Position

Total liabilities as of June 30, 2021 decreased \$367,198 or 3.34% from June 30, 2020. All liabilities are considered to be current with the exception of the accrued compensated absences and the net postemployment obligation. Accounts payable decreased \$363,285. The decrease relates primarily to transportation network activity. All accounts payable in fiscal year 2021 and fiscal year 2020 were current. Accrued expenditures decreased \$71,113. The decrease relates to a lower amount in worker's compensation payable than accrued in fiscal 2020.

Member credits were increased to \$700,000. The increase is related to an issuance of \$700,000 in member credits to member districts during fiscal year 2021.

The net OPEB liability decreased \$537,011 as a result of various actuarial changes, including an OPEB credit of \$794,380, funding the OPEB Trust \$500,000, and the net effect of deferred inflows and outflows caused by changes in assumptions.

GENERAL FUND BUDGETARY HIGHLIGHTS

LABBB's annual budget for fiscal 2021 was approved by its Board of Directors. During fiscal 2021, actual revenues, excluding retirement systems on-behalf revenue, underperformed the budget by \$969,202. The tuition revenue was less than projected by \$170,424, due to lower than projected enrollments. Transportation revenue was lower than budget by \$788,615.

LABBB Collaborative
Management's Discussion & Analysis
June 30, 2021

During fiscal 2020, LABBB incurred actual expenditures, excluding retirement systems on-behalf expense, of \$23,901,524 compared to budgeted expenditures of \$26,175,490. 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 in the fiscal year 2018 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 government-wide results in fiscal years 2021 and 2020. LABBB recorded an adjustment in each fiscal year for the estimated annual cost of the program, plus the unfunded prior costs that have accumulated to date. The total (credit)/charge for fiscal years 2021 and 2020 is (\$1,794,380) and (\$599,868) respectively. During fiscal year 2021, LABBB contributed \$500,000 to its OPEB trust.

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.

REQUESTS FOR INFORMATION

The financial report is designed to provide the reader with a general overview of LABBB's financial activities. If you have questions in regard to this report, contact William Lupini, 123 Cambridge Street, Burlington, MA 01803, or at 339-222-5615.

LABBB COLLABORATIVE
Statement of Net Position

June 30, 2021

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash and cash equivalents	
Cash available for operations	\$ 1,588,335
Cash restricted for capital fund	3,131,488
Cash assigned as reserve for operations	2,643,794
Accounts receivable, net	5,285,379
Prepaid expenses	15,401
Total Current Assets	12,664,397
Non-current Assets	
Equipment and improvements, net	51,747
Total Non-current Assets	51,747
Total Assets	12,716,144
Deferred Outflows of Resources	
Deferred Outflows of Resources Related to OPEB	477,520
Total Assets and Deferred Outflows of Resources	\$ 13,193,664
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 1,289,491
Accrued expenses	936,957
Deferred revenue	47,627
Member credits	700,000
Total Current Liabilities	2,974,075
Non-current Liabilities:	
Compensated absences	86,484
Other postemployment benefits	7,570,677
Total Long Term Liabilities	7,657,161
Total Liabilities	10,631,236
Deferred Inflows of Resources	
Deferred Inflows of Resources Related to OPEB	6,820,618
Net Position	
Unrestricted net position:	
General and other purposes	(7,441,425)
Net position invested in capital assets	51,747
Restricted - capital reserve fund	3,131,488
Total Net Position	(4,258,190)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 13,193,664

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

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

Functions/ Programs	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Administration	\$ 1,246,457	\$ -	\$ -	\$ (1,246,457)
Educational and instructional	16,446,325	18,999,293	27,787	2,580,755
Transportation	6,200,266	6,209,548	-	9,282
Intergovernmental revenue and expense	6,096,676	-	6,096,676	-
Depreciation and amortization	23,948	-	-	(23,948)
Other postemployment benefits	(794,380)	-	-	794,380
Total Governmental Activities	<u>\$ 29,219,292</u>	<u>\$ 25,208,841</u>	<u>\$ 6,124,463</u>	2,114,012
General Revenue and Other:				
Interest				11,016
Other				2,453
Credits to member districts				(700,000)
Total General Revenue and Other				<u>(686,531)</u>
Change in Net Position				1,427,481
Net Position, Beginning of Year:				<u>(5,685,671)</u>
Net Position, End of Year				<u>\$ (4,258,190)</u>

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

LABBB Collaborative
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents				
Cash available for operations	\$ 1,588,335	\$ -	\$ -	\$ 1,588,335
Cash restricted for capital fund	-	3,131,488	-	3,131,488
Cash assigned as reserve for operations	2,643,794	-	-	2,643,794
Accounts receivable, net	5,285,379	-	-	5,285,379
Prepaid expenses	15,401	-	-	15,401
Total Assets	\$ 9,532,909	\$ 3,131,488	\$ -	\$ 12,664,397
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,289,491	\$ -	\$ -	\$ 1,289,491
Accrued expenses	936,957	-	-	936,957
Deferred revenue	47,627	-	-	47,627
Member credits	700,000	-	-	700,000
Total Liabilities	2,974,075	-	-	2,974,075
Fund Balances:				
Nonspendable	15,401	-	-	15,401
Restricted	-	3,131,488	-	3,131,488
Assigned	2,643,794	-	-	2,643,794
Unassigned	3,899,639	-	-	3,899,639
Total Fund Balances	6,558,834	3,131,488	-	9,690,322
Total Liabilities and Fund Balances	\$ 9,532,909	\$ 3,131,488	\$ -	\$ 12,664,397

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

LABBB Collaborative

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

Total fund balances, governmental funds \$ 9,690,322

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 51,747

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. (86,484)

The Other postemployment benefit (OPEB) liability and related deferred inflows and outflows are not current obligations and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. (13,913,775)

Net Position of Governmental Activities \$ (4,258,190)

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

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Tuition and services revenue	\$ 18,906,958	\$ -	\$ -	\$ 18,906,958
Industry revenue	29,400	-	-	29,400
Recreation revenue	3,205	-	-	3,205
Transportation revenue	6,209,548	-	-	6,209,548
Home services revenue	59,730	-	-	59,730
Grants and contracts	27,787	-	-	27,787
Intergovernmental revenue	6,096,676	-	-	6,096,676
Interest	5,154	5,862	-	11,016
Other	2,453	-	-	2,453
Credits to member districts	(700,000)	-	-	(700,000)
Total Revenues	30,640,911	5,862	-	30,646,773
Expenditures:				
Administration	1,254,933	-	-	1,254,933
Educational and instructional	16,446,325	-	-	16,446,325
Transportation expense	6,200,266	-	-	6,200,266
Intergovernmental expense	6,096,676	-	-	6,096,676
Total Expenditures	29,998,200	-	-	29,998,200
Excess of Revenues over Expenditures	642,711	5,862	-	648,573
Other Financing Sources:				
OPEB obligation funding	(500,000)	-	-	(500,000)
Transfer to restricted funds	(25,626)	25,626	-	-
Net Change in Fund Balances	117,085	31,488	-	148,573
Fund Balances, Beginning of Year	6,441,749	3,100,000	-	9,541,749
Fund Balances, End of Year	\$ 6,558,834	\$ 3,131,488	\$ -	\$ 9,690,322

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

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, 2021

Net change in fund balances - total governmental funds \$ 148,573

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	-
Depreciation	(23,948)

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	8,476
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Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in other postemployment benefits (OPEB) accrual	1,294,380
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Change in net position of governmental activities	\$ 1,427,481
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LABBB Collaborative
Statement of Fiduciary Net Position
Other Postemployment Benefits Trust
June 30, 2021

ASSETS

Cash and cash equivalents	<u>\$ 6,455,479</u>
Total Assets	<u><u>\$ 6,455,479</u></u>

NET POSITION

Net position held in trust for other postemployment benefits	<u>\$ 6,455,479</u>
Total Net Position	<u><u>\$ 6,455,479</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, 2021

Additions:

Contributions	\$ 500,000
Investment gain	<u>1,420,521</u>
Total Additions	<u>1,920,521</u>

Deductions:

Investment expenses	<u>15,739</u>
Total Deductions	<u>15,739</u>
Change in Net Position	1,904,782
Net Position - Beginning of Year	<u>4,550,697</u>
Net Position - End of Year	<u><u>\$ 6,455,479</u></u>

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

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

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.

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.

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.

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation (continued)

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.

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.

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fair Value Measurements and Investments

LABBB has contributed \$4,591,472 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, 2021, the balance in these investments consisted of the following:

	Collaborative Contribution <u>(Estimated Cost)</u>	Fair <u>Value</u>	Net Annual Investment <u>Gain</u>
Mutual Funds	\$4,591,472	\$6,455,479	\$1,404,782

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, 2021 was \$1,904,782, including a contribution of \$500,000 to the trust. There were no realized gains or losses during the year ended June 30, 2021. Annual investment gain totaled \$1,420,521 and investment fees for the year ended June 30, 2021 were \$15,739.

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.

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash and Cash Equivalents (continued)

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 I), as approved by the Board of Directors. As of June 30, 2021, the cash reserved for operations was \$2,643,794.

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, 2021, management has recorded an allowance for doubtful accounts of \$16,321.

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.

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 2021, \$700,000 of new credits were issued to the member districts, none of which were used as of June 30, 2021.

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 F).

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, 2021.

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Equity Classifications (continued)

Government-wide Statements

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. It includes cumulative investment income earned on these funds.

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.)

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.

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

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 16, 2021, 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, 2021:

Bank balance of cash and cash equivalents	\$ 4,269,052
Deposits held in a Massachusetts Municipal Depository Trust	3,131,488
Reconciling items (deposits in transit, outstanding checks, etc.), net	<u>(36,923)</u>
Total cash and cash equivalents as reported on the statement of net position	<u>\$ 7,363,617</u>
Bank deposits insured by the Federal Deposit Insurance Corporation	<u>\$ 250,000</u>

LABBB’s cash and cash equivalents are held at 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 Collaborative
Notes to Financial Statements
June 30, 2021

NOTE C – EQUIPMENT AND IMPROVEMENTS

Equipment and improvement activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment and improvements:				
Equipment	\$ 7,732	\$ -	\$ -	\$ 7,732
Leasehold improvements	<u>152,467</u>	<u>-</u>	<u>-</u>	<u>152,467</u>
Total at historic cost	160,199	-	-	160,199
 Accumulated depreciation	 <u>(84,505)</u>	 <u>(23,947)</u>	 <u>-</u>	 <u>(108,452)</u>
	<u>\$ 75,694</u>	<u>\$ (23,947)</u>	<u>\$ -</u>	<u>\$ 51,747</u>

NOTE D – LEASE COMMITMENTS

LABBB has entered into operating lease agreements for office and program space, office equipment and vehicles used to transport students, which expire at various times through 2023. Under the vehicle 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 \$270,804 for the year ended June 30, 2021.

During the year ended June 30, 2021, LABBB paid rent under an operating lease agreement for office space in Burlington, Massachusetts. Monthly rent under the agreement is \$5,654 for the periods August 1, 2019 to July 31, 2020, and 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, 2021 are as follows:

2022	\$ 154,747
2023	2,147
2024	-
2025	-
2026	-
	<u>\$ 156,894</u>

NOTE E - 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.

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

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

Benefits Provided

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

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

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

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

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

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

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

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

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

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

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 2021, LABBB's contributions on behalf of employees totaled \$378,768.

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

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

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

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, 2019 and was \$16,067,240 and \$29,940,610 under MSERS and MTRS, respectively. In fiscal year 2021, LABBB recognized revenue and related expense of \$2,398,582 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2021, LABBB recognized revenue and related expense of \$3,698,094, (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.

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

NOTE F – 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 2021 fiscal year total LABBB premiums plus implicit costs for the retiree medical program were \$379,042. LABBB made a contribution to an OPEB Trust of \$500,000 for the fiscal year 2021 for a total contribution of \$879,042.

Investment Policy

The long-term rate of return on assets developed based on the Collaborative Investment Policy is 6.08%. the rate is comprised of a 3.95% real rate of return and 2.50% inflation assumption, net of 0.37% investment expense.

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:

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

NOTE F – RETIREMENT HEALTH BENEFITS (continued)

Actuarially Determined Contribution - Deficiency / (Excess)		June 30, 2021
I. Service Cost		\$ 539,188
II. 30-year amortization of NOL at 3.00%		318,786
III. Actuarial Determined Contribution [I. + II.]		857,974
IV. Contributions in relation to the actuarially determined contribution		(879,042)
V. Contribution deficiency / (excess) [III. + IV.]		<u>\$ (21,068)</u>
Covered employee payroll		\$14,328,343
Contribution as a % of covered employee payroll		6.13%
Discount rate		4.75%
Money Weighted Rate of Return		30.87%

OPEB Liability, OPEB Expense and ADC

	Fiscal Year Ended June 30, 2021	
	District Employees and Retirees	Total
I. Total OPEB Liability as of June 30, 2021	\$14,026,156	\$14,026,156
II. Fiduciary Net Position as of June 30, 2021	6,455,479	6,455,479
III. Net OPEB Liability (Asset) as of June 30, 2021 [I.-II.]	7,570,677	7,570,677
IV. Service Cost	539,188	539,188
V. Interest on Total OPEB Liability (Asset) and Service Cost, and Benefit Payments	650,518	650,518
VI. Projected Earnings on OPEB Plan Investments	(280,154)	(280,154)
VII. Net recognition of Deferred (Inflows)/Outflows	(1,324,890)	(1,324,890)
VIII. Expense Related to Change in Benefit Terms	-	-
IX. Financial Statement Expense [IV.+V.+ VII.+VIII.]	(415,338)	(415,338)
X. Employer Share of Costs	(379,042)	(379,042)
XI. Employer (Payments) Withdrawals to/from OPEB Trust	(500,000)	(500,000)
XII. Total Employer Contribution [X.+XI.]	(879,042)	(879,042)
XIII. Net OPEB Expense (Benefit) IX.+ XII.]	(\$1,294,380)	(\$1,294,380)

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

NOTE F – RETIREMENT HEALTH BENEFITS (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 June 30, 2021 Measurement Date would increase to \$10,356,612 or by 36.8% and the corresponding Service Cost would increase to \$718,376 or by 33.2%. 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 \$5,406,788 or by 28.6% and the corresponding Service Cost would decrease to \$412,496 or by 23.5%.

Effect of 1% Change in Discount Rates

As of the June 30, 2021 Measurement Date, if the discount rate were 1% higher than what was used in this valuation, the Net OPEB Liability would decrease to \$5,675,465 or by 25.0% and the corresponding Service Cost would decrease to \$413,916 or by 23.3%. If the discount rate were 1% lower than was used in this valuation, the Net OPEB Liability would increase to \$9,936,444 or by 31.2% and the corresponding Service Cost would increase to \$709,616 or by 31.6%.

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:	4.75% per annum (previously 5.00%)
General Inflation Assumption:	2.50% per annum
Annual Compensation Increases:	3.00% per annum
Actuarial Value of Assets:	Market Value

Recognition of OPEB Trust Assets

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

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

NOTE F – RETIREMENT HEALTH BENEFITS (continued)

Changes in Net OPEB Liability

	Changes in Net OPEB Liability		
	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability
I. Balances at June 30, 2020 Reporting Date	\$ 12,658,386	\$ 4,550,697	\$ 8,107,689
II. Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>
III. Balances at June 30, 2020 Reporting Date with Adjustment [I.+II.]	12,658,386	4,550,697	8,107,689
Changes for the year:			
IV. Service Cost	539,188	-	539,188
V. Interest on Total OPEB Liability and Service Cost, and Benefit Payments	650,518	-	650,518
VI. Changes in Benefit Terms*	-	-	-
VII. Changes in Assumptions**	557,106	-	557,106
VIII. Differences between Actual and Expected Experience**	-	-	-
IX. Net Investment Income	-	1,404,782	(1,404,782)
X. Employer Contributions to Trust	-	879,042	(879,042)
XI. Benefit Payments Withdrawn from Trust	-	(379,042)	379,042
XII. Benefit Payments Excluding Implicit Cost	(275,721)	-	(275,721)
XIII. Implicit Cost Amount	(103,321)	-	(103,321)
XIV. Total Benefit Payments Including Implicit Cost [XII.+XIII.]	(379,042)	-	(379,042)
XV. Administrative Expense	-	-	-
XVI. Other Charges	-	-	-
XVII. Net Changes [IV.+V.+VI.+VII.+VIII.+IX.+X.+XI.+XIV.+XV.+XVI.]	<u>\$ 1,367,770</u>	<u>\$ 1,904,782</u>	<u>\$ (537,012)</u>
XVIII. Balances at June 30, 2021 [III.+XVII.]	\$14,026,156	\$ 6,455,479	\$ 7,570,677

* Recognized immediately

** Amortized over 7.00 years

Deferred Inflows and Outflows of Resources

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of the effects of differences between expected & actual experience									
Fiscal	Differences between actual & expected experience	Recognition Period (years)	Remaining Balance	2021	2022	2023	2024	2025	2026
2018	-	7.30	-	-	-	-	-	-	-
2019	-	7.30	-	-	-	-	-	-	-
2020	(4,467,564)	7.00	(3,191,118)	(638,223)	(638,223)	(638,223)	(638,223)	(638,223)	(638,223)
Total Remaining Balance			(3,191,118)						
Net increase (decrease) in OPEB Expense				(638,223)	(638,223)	(638,223)	(638,223)	(638,223)	(638,223)

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of the effects of changes in assumptions									
Fiscal	Differences between actual & expected assumptions	Recognition Period (years)	Remaining Balance	2021	2022	2023	2024	2025	2026
2018	-	7.30	-	-	-	-	-	-	-
2019	-	7.30	-	-	-	-	-	-	-
2020	(3,870,346)	7.00	(2,764,532)	(552,907)	(552,907)	(552,907)	(552,907)	(552,907)	(552,904)
2021	557,107	7.00	477,520	79,587	79,587	79,587	79,587	79,587	79,587
Total Remaining Balance			(2,287,012)						
Net increase (decrease) in OPEB Expense				(473,320)	(473,320)	(473,320)	(473,320)	(473,320)	(473,317)

LABBB Collaborative
Notes to Financial Statements
June 30, 2021

NOTE F – RETIREMENT HEALTH BENEFITS (continued)

Deferred (Inflows)/Outflows in OPEB Expense arising from the recognition of differences between projected & actual earnings on OPEB plan investments									
Fiscal	Differences between actual & expected earnings	Recognition Period (years)	Remaining Balance	2021	2022	2023	2024	2025	2026
2018	-	5.00	-	-	-	-	-	-	-
2019	-	5.00	-	-	-	-	-	-	-
2020	57,893	5.00	34,735	11,579	11,579	11,579	11,577	-	-
2021	(1,124,628)	5.00	(899,703)	(224,926)	(224,926)	(224,926)	(224,926)	(224,925)	-
Total Remaining Balance			(864,968)						
Net increase (decrease) in OPEB Expense				(213,347)	(213,347)	(213,347)	(213,349)	(224,925)	-

NOTE G – COMPENSATED ABSENCES

The Collaborative allows eligible employees to carryover unused vacation time up to 30 days annually. Below is an analysis of fiscal 2021 use of compensated absences.

Balance <u>7/1/2020</u>	Vacation <u>Taken</u>	Vacation <u>Earned</u>	Balance <u>6/30/2021</u>
<u>\$94,959</u>	<u>(\$16,673)</u>	<u>\$8,198</u>	<u>\$86,484</u>

NOTE H – CONCENTRATIONS OF CREDIT RISK

Approximately 45% of all program revenues are derived from the member school districts in 2021. Two member towns represented 29% of all revenue in 2021. At June 30, 2021, five member towns represented approximately 49% of total accounts receivable.

NOTE I – FISCAL 2022 BUDGET

LABBB has authorized a fiscal 2022 operating budget totaling approximately \$26,400,000 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	\$203,060	\$16,866	\$219,926
James Kelly	Program Director	\$127,866	\$19,392	\$147,258
Donna Goodell	Program Director	\$127,866	\$16,866	\$144,732
Michael Allen	Special Education Teacher	\$115,718	\$19,392	\$135,110
Michael Bernardo	Special Education Teacher	\$115,523	\$ -	\$115,523

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, 2021

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

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.

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 commenced its Post-22 program during fiscal year 2020. Total revenue under the program for fiscal year 2021 was \$34,669.

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.

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

The Collaborative had no transactions between related for-profit or non-profit organization.

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

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

Amounts expended on administration and overhead

Total administrative costs incurred by LABBB totaled \$1,246,547 for the year ended June 30, 2021. 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, 2021

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

Annual determination and disclosure of cumulative surplus

(A) Surplus as of June 30, 2020		\$ 6,441,749	(A)	p. 11
<i>(Breakdown of use of 2020 surplus)</i>				
B(1) used to support the FY21 budget	\$	-		
B(2) issued as credits to member districts	\$	-		
B(3) issued as a check(s) to member district(s)	\$	-		
B(4) deposited to a restricted account(s)	\$	-		
(B) Board voted uses of surplus funds during FY21	<i>(total from B1:B4)</i>	\$ -	(B)	
(C) Unexpended FY21 General Funds		\$ 117,085	(C)	p. 11
(D) Cumulative Surplus as of June 30, 2021	(A) - (B) + (C) = (D)	\$ 6,558,834	(D)	p. 11
(E) FY21 Total General Fund Expenditures*		\$ 24,401,524	(E)	p. 11
(F) Cumulative Surplus Percentage	(D) ÷ (E)	26.88%	(F)	
CUMULATIVE SURPLUS REDUCTION				
Allowable uses of surplus - in excess of the 25% limit				
(G) Cumulative surplus as of June 30, 2021 before reductions		\$ 6,558,834		
	25% limit (allowed)	\$ 6,100,381		
(H) Cumulative Surplus REDUCTIONS				
(H)1 Credited to member districts for tuition, services, etc.	\$	-		
(H)2 Deposited to an established trust and/or reserve fund	\$	458,453		
(H)3 Returned (check) to school districts/towns	\$	-		
(I) Cumulative surplus as of June 30, 2021 after reductions		\$ 458,453		
	FY21 Cumulative Surplus Percentage after Reductions	25.00%		

At its December 16, 2021 meeting, the Collaborative's Board of Directors voted to transfer the excess cumulative surplus in the amount of \$458,453 to its capital reserve fund.

* Excludes Intergovernmental expense, transfer to capital reserve fund (transfer of prior year accumulated interest).

NOTE K – RISK MANAGEMENT

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

The ongoing COVID-19 pandemic in the United States has caused business disruption and a reduction in overall economic activity. While the disruption was expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Collaborative's operations and financial position. Any financial impact to the Collaborative, if any, cannot be reasonably estimated at this time. Management and the Collaborative's board of directors constantly monitor the financial and operational situation in relation to the pandemic.

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, 2021

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:			
Tuition and services revenue	\$ 19,077,382	\$ 18,906,958	\$ (170,424)
Industry revenue	-	29,400	29,400
Recreation revenue	-	3,205	3,205
Transportation revenue	6,998,163	6,209,548	(788,615)
Home services revenue	-	59,730	59,730
Grants and contracts	-	27,787	27,787
Intergovernmental revenue*	-	6,096,676	6,096,676
Interest	80,184	5,154	(75,030)
Other	29,921	2,453	(27,468)
Total Revenues	26,185,650	31,340,911	5,155,261
Expenditures:			
Administration	990,367	1,254,933	(264,566)
Educational and instructional	17,967,101	16,446,325	1,520,776
Transportation expense	7,218,022	6,200,266	1,017,756
Intergovernmental expense*	-	6,096,676	(6,096,676)
Total Expenditures	\$ 26,175,490	\$ 29,998,200	\$ (3,822,710)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 10,160	\$ 1,342,711	\$ 1,332,551
Other Budget Items:			
OPEB obligation funding	-	500,000	(500,000)
Transfer to restricted funds	-	25,626	(25,626)
Credits to member districts	-	700,000	(700,000)
	\$ -	\$ 1,225,626	\$ (1,225,626)

*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.

See independent auditor's report.

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

The Collaborative's Actuarially Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which is composed of the service cost and an amortization of the unfunded liability. We have used a 30 year flat dollar amortization of the Collaborative's unfunded liability for the purpose of calculating ADC. The following table shows the components of the Collaborative's annual ADC and the amount actually contributed to the plan:

	Actuarially Determined Contribution - Deficiency/(Excess)				
	For the Fiscal Year Ending:				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
I. Service Cost	\$ 539,188	\$ 499,008	\$ 1,062,020	\$ 987,151	\$ 987,151
II. 30 year level dollar amortization of NOL	318,786	502,302	805,084	962,508	897,810
III. Actuarially Determined Contribution [I.+II.]	857,974	1,001,310	1,867,104	1,949,659	1,884,961
IV. Contributions in relation to the actuarially determined contribution	(879,042)	(835,953)	(967,616)	(3,352,674)	(353,674)
V. Contribution deficiency/(excess) [III.+IV.]	(21,068)	165,357	899,488	(1,403,015)	1,531,287
Covered employee payroll	14,328,343	13,911,013	14,375,457	13,956,754	13,550,247
Contributions as a % of covered employee payroll	6.13%	6.01%	6.73%	24.02%	2.61%
Discount Rate	4.75%	5.00%	3.25%	3.25%	3.25%
Money Weighted Rate of Return	30.87%	4.53%	6.51%	3.37%	N/A

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

Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios					
Valuation Date	July 1, 2019	July 1, 2019	July 1, 2016	July 1, 2016	July 1, 2016
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
For the Reporting Period & Fiscal Year ending on:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability	14,026,156	12,658,386	20,167,011	18,828,765	17,596,020
I. Service Cost	539,188	499,008	1,062,020	987,151	894,446
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	650,518	666,230	652,370	598,268	558,692
III. Changes in Benefit terms	-	-	-	-	-
IV. Difference between Expected & Actual Plan Experience	-	(4,467,564)	-	-	-
V. Changes of Assumption	557,106	(3,870,346)	-	-	-
VI. Benefit Payments Excluding Implicit Cost	(275,721)	(242,064)	(280,451)	(262,952)	(228,805)
VII. Implicit Cost Amount	(103,321)	(93,889)	(95,693)	(89,722)	(75,170)
VIII. Total Benefit payments including Implicit Cost [VI.+VII.]	(379,042)	(335,953)	(376,144)	(352,674)	(303,975)
IX. Net Change in OPEB liability [I.+II.+III.+IV.+V.+VIII.]	1,367,770	(7,508,625)	1,338,246	1,232,745	1,149,163
X. Total OPEB liability - beginning of period	12,658,386	20,167,011	18,828,765	17,596,020	14,370,716
XI. Prior Period Adjustment for Retirees not Previously Reflected	-	-	-	-	2,076,141
XII. Total OPEB Liability - end of period [IX.+X.+XI.]	14,026,156	12,658,386	20,167,011	18,828,765	17,596,020
Plan Fiduciary Net Position	6,455,479	4,550,697	3,858,988	3,050,067	-
XIII. Earning from Plan Investments	1,404,782	191,709	217,449	50,067	-
XIV. Employer Contribution to trust	879,042	835,953	967,616	3,352,674	303,975
XV. Benefit payments from trust, including refunds of member contributions	(379,042)	-	-	-	-
XVI. Administrative expense	-	(335,953)	(376,144)	(352,674)	(303,975)
XVII. Other	-	-	-	-	-
XVIII. Net change in plan fiduciary net position [XIII.+XIV.+XV.+XVI.+XVII.]	1,904,782	691,709	808,921	3,050,067	-
XIX. Plan fiduciary net position - beginning of period	4,550,697	3,858,988	3,050,067	-	-
XX. Plan fiduciary net position - end of period [XVIII.+XIX.]	6,455,479	4,550,697	3,858,988	3,050,067	-
XXI. Net OPEB Liability [XII.-XX.]	7,570,677	8,107,689	16,308,023	15,778,698	17,596,020
XXII. Plan fiduciary net position as a % of total OPEB liability [XX./XII.]	46.02%	35.95%	19.14%	16.20%	0.00%
XXIII. Covered employee payroll	14,328,343	13,911,013	14,375,457	13,956,754	13,550,247
XXIV. Plan NOL as % of covered employee payroll [XXI./XXIII]	52.84%	58.28%	113.44%	113.05%	129.86%
Single Discount Rate to calculate Plan Liabilities	4.75%	5.00%	3.25%	3.25%	3.25%

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
 OPEB Plan - Required Supplementary Information
 As of Actuarial Measurement Date - June 30, 2021

Notes to Required Supplementary Information:

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

Actuarial Cost Method: Individual Entry Age Normal

Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2021.

Actuarial Assumptions:

Investment Rate of Return: 5.84%, net of OPEB plan investment expense, including inflation.

Municipal Bond Rate 2.18% as of June 30, 2021 (source: S&P Municipal Bond 20-Year High Grade Index-SAPIHG)

Single Equivalent Discount Rate: 4.75%, net of OPEB plan investment expense, including inflation.

Inflation: 2.50% as of June 30, 2021 and for future periods

Salary Increases: 3.00% annually as of June 30, 2021 and for future periods

Cost of Living Adjustment: Not Applicable

Pre-Retirement Mortality: General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
 Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females

Post-Retirement Mortality: General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
 Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Disabled Mortality: General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year
 Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Plan Membership

Plan Membership: At July 1, 2019, the OPEB plan membership consisted for the following

Inactive employees or beneficiaries currently receiving benefits:	59
Active employees:	<u>218</u>
Total:	<u>277</u>

See independent auditor's report

LABBB Collaborative
OPEB Plan - Required Supplementary Information
As of Actuarial Measurement Date - June 30, 2021

Notes to Required Supplementary Information (Continued):

Changes in Assumptions:

From June 30, 2020 to June 30, 2021

- * Discount rate is 4.75% previously 5.00%
- * The mortality table has been updated from the RP-2000 Mortality Table projected generationally with scale BB and a base year 2009 for males and females to the RP-Mortality Table projected generationally with scale MP-2016 for males and females
- * The expected long-term medical trend has been updated to 4.50%
- * Updated the assumption for morbidity or age-related costs of medical care

Contributions:

The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. The Collaborative contributed beyond the pay-as-you-go cost \$500,000 for the period ending on the June 30, 2021 Measurement Date. For the year ending on the June 30, 2021 Measurement Date, total Collaborative premiums plus implicit costs for the retiree medical program were \$379,042 of which \$103,321 represents implicit cost.

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

		<u>MTRS</u>	<u>MSERS</u>
Collaborative's proportion of net pension liability	FY2014	0.11531%	0.09117%
	FY2015	0.11190%	0.09117%
	FY2016	0.10806%	0.09557%
	FY2017	0.10760%	0.09243%
	FY2018	0.10644%	0.09746%
	FY2019	0.10729%	0.09893%
	FY2020	0.10489%	0.09364%
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
	FY2018	\$ 25,238,778	\$ 12,893,915
	FY2019	\$ 27,051,082	\$ 13,511,662
	FY2020	\$ 29,940,610	\$ 16,067,240
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
	FY2018	\$ 7,503,142	\$ 6,143,732
	FY2019	\$ 7,989,564	\$ 5,891,528
	FY2020	\$ 8,016,911	\$ 6,237,334
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%
	FY2018	336.38%	209.87%
	FY2019	338.58%	229.34%
	FY2020	373.47%	257.60%
Plan fiduciary net position as a percentage of total pension liability	FY2014	61.64%	76.32%
	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%
	FY2017	54.25%	67.21%
	FY2018	54.84%	67.91%
	FY2019	53.95%	66.28%
	FY2020	50.67%	62.48%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note F to financial statements

Measurement Date

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

Schedule Presentation

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

See independent auditor's report.

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

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
<u>MTRS</u>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 6,953,749	\$ 7,034,045	\$ 6,174,790	\$ 7,222,908	\$ 7,503,142	\$ 7,989,564	\$ 8,016,911
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>MSERS</u>							
Contractually required contribution	\$ 278,330	\$ 279,422	\$ 298,090	\$ 310,469	\$ 339,486	\$ 329,995	\$ 378,768
Contributions in relation to the contractually required contribution	\$ 278,330	\$ 279,422	\$ 298,090	\$ 310,469	\$ 339,486	\$ 329,995	\$ 378,768
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 4,970,167	\$ 4,989,671	\$ 5,340,375	\$ 5,543,671	\$ 5,582,936	\$ 5,401,165	\$ 6,237,334
Contributions as a percentage of covered-employee payroll	5.60%	5.60%	5.58%	5.60%	6.08%	6.11%	6.07%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note F to financial statements

Measurement Date

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

Schedule Presentation

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

Contributions

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

See independent auditor's report.



FRITZ DEGUGLIELMO LLC
*CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS*

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

To the Board of Directors of
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, 2021, 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 16, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fritz DeGiacomo LLC

Certified Public Accountants
Newburyport, Massachusetts
December 16, 2021

William H. Lupini
Interim Executive Director

Joseph Adams
Director of Finance & Operations



Donna Goodell, Program Director
Pre-K, Elementary, & Middle School

James Kelly, Program Director
High School

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, 2021.

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

A handwritten signature in blue ink, appearing to be "J. Adams", is written above a horizontal line. Below the line, the text "Board Chair" is printed.

Board Chair

A handwritten date "12/16/21" in blue ink is written above a horizontal line.

Date