

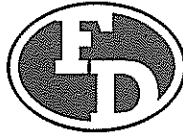
SEEM COLLABORATIVE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2011

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FRITZ DEGUGLIELMO LLC
*CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS*

INDEPENDENT AUDITORS' REPORT

To the Members of the
SEEM Collaborative
Stoneham, Massachusetts

We have audited the accompanying statement of net assets of SEEM Collaborative as of June 30, 2011, and related statements of revenues, expenses and changes in net assets, revenues and functional expenses and cash flows for the year then ended. These financial statements are the responsibility of SEEM Collaborative's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Collaborative's 2010 audited financial statements and, in our report dated September 21, 2010, we expressed a qualified opinion on those financial statements.

We have 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SEEM Collaborative as of June 30, 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated N, 2011 on our consideration of SEEM Collaborative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The information included in Management's Discussion and Analysis and required supplementary schedule of funding progress is presented solely for the purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. The supplementary information is a representation of SEEM Collaborative's management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on it.

Fritz DeGuglielmo LLC

Certified Public Accountants

September 29, 2011

SEEM COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011, 2010 and 2009

Our discussion and analysis of SEEM Collaborative's (the Collaborative's) financial performance provides an overview of the Collaborative's financial activities for the fiscal years ended June 30, 2011, 2010 and 2009. Please read it in conjunction with the financial statements that begin on page 5.

This financial report consists of several financial statements:

Statement of Net Assets – The Statement of Net Assets provides a presentation of our assets and liabilities as of the date of the financial statements.

Statement of Revenues, Expenses and Changes in Net Assets – The Statement of Revenue, Expenses and Changes in Net Assets presents the results of the operations of the Collaborative, providing information of the revenue sources and related expenses during the year.

Statement of Revenues and Functional Expenses – The Statement of Revenues and Functional Expenses identifies revenues recognized and expenses incurred during the year by classification.

Statement of Cash Flows – The Statement of Cash Flows provides information on the cash receipts and cash disbursements during the year and the changes in working capital components.

FINANCIAL HIGHLIGHTS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Total Current Assets	\$7,870,830	\$7,661,332	\$6,768,771
Total Non-current Assets	<u>78,945</u>	<u>128,443</u>	<u>200,994</u>
Total Assets	<u>\$7,949,775</u>	<u>\$7,789,775</u>	<u>\$6,969,765</u>
LIABILITIES			
Total Current Liabilities	\$3,023,666	\$2,967,433	\$2,361,240
Total Non-current Liabilities	<u>1,797,194</u>	<u>1,272,082</u>	<u>636,041</u>
Total Liabilities	<u>\$4,820,860</u>	<u>\$4,239,515</u>	<u>\$2,997,281</u>
Board designated – unrestricted	\$ 444,475	\$ 444,475	\$ 451,025
Net assets – unrestricted	2,605,495	2,977,342	3,320,465
Net assets – temporarily restricted	-	-	-
Invested in capital assets, net of related debt	<u>78,945</u>	<u>128,443</u>	<u>200,994</u>
Total Net Assets	<u>\$3,128,915</u>	<u>\$3,550,260</u>	<u>\$3,972,484</u>

SEEM Collaborative's net assets increased by approximately \$214,000 and decreased by approximately \$421,000 and \$422,000 in fiscal 2011 and 2010, respectively. During fiscal 2011 and 2010, SEEM Collaborative recorded increases in net retirement health benefit obligations required by GASB 45 of \$525,112 and \$636,041, respectively. Changes in net assets before these increases were approximately \$104,000 and \$214,000 in fiscal 2011 and 2010, respectively. These increases were a result of revenues exceeding expenses during the year.

SEEM COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011, 2010 and 2009

FINANCIAL HIGHLIGHTS – *Continued*

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues	\$21,640,492	\$20,468,184	\$18,422,607
Operating Expenses	<u>21,550,083</u>	<u>20,282,016</u>	<u>18,193,187</u>
Operating Income	90,409	186,168	229,420
Non-operating Revenues	<u>13,358</u>	<u>27,649</u>	<u>36,395</u>
Change in net assets	103,767	213,817	265,815
Distribution to member municipality trust accounts	-	-	(174,000)
Increase in net retirement health benefit obligation	(525,112)	(636,041)	(636,041)
Total net assets – beginning, as adjusted	<u>3,550,260</u>	<u>3,972,484</u>	<u>4,516,710</u>
Total net assets – ending	<u>\$ 3,128,915</u>	<u>\$ 3,550,260</u>	<u>\$ 3,972,484</u>

During the years ended June 30, 2011 and 2010, operating revenues increased by approximately \$1,178,000 and \$2,046,000, respectively. The increase in fiscal 2011 revenues was primarily from transportation and other service revenues totaling approximately \$458,000 and from additional tuition and program services revenues totaling approximately \$720,000. The larger increase in fiscal 2010 revenues over 2009 revenues was primarily a result of increased transportation services provided. During the years ended June 30, 2011 and 2010, operating expenses increased approximately \$1,268,000 and \$2,089,000, respectively, corresponding to the increase in program and other services.

Non-operating revenue decreased by approximately \$14,000 and \$8,000 for the years ended June 30, 2011 and 2010, respectively. The decreases were due to economic conditions causing interest rates to drop significantly on deposits and less funds being held in interest bearing accounts.

CAPITAL ASSET AND OBLIGATIONS

The Collaborative purchased approximately \$28,546 of capital assets for programs during fiscal 2011.

CONTACTING THE COLLABORATIVE

This financial report is designed to provide readers of the financial statement an overview of the Collaborative's financial activities. If you have any questions in regard to this report, please contact our finance department at (781) 279-1361.

SEEM COLLABORATIVE
STATEMENT OF NET ASSETS

June 30, 2011

(with summarized financial information as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,230,992	\$ 4,035,788
Accounts receivable, net	2,137,840	3,036,399
Prepaid expenses and other assets	17,576	35,798
Cash held for municipalities	<u>484,422</u>	<u>553,347</u>
Total Current Assets	<u>7,870,830</u>	<u>7,661,332</u>
Non-current Assets		
Furniture, equipment and leasehold improvements, net	<u>78,945</u>	<u>128,443</u>
Total Non-current Assets	<u>78,945</u>	<u>128,443</u>
Total Assets	<u>\$ 7,949,775</u>	<u>\$ 7,789,775</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,498,270	\$ 2,394,633
Deferred revenues	40,974	19,453
Member municipality accounts	<u>484,422</u>	<u>553,347</u>
Total Current Liabilities	<u>3,023,666</u>	<u>2,967,433</u>
Long Term Liabilities:		
Net retirement health benefit obligation	<u>1,797,194</u>	<u>1,272,082</u>
Total Liabilities	<u>4,820,860</u>	<u>4,239,515</u>
Net Assets		
Board designated	444,475	444,475
Operating-unrestricted	2,605,495	2,977,342
Invested in capital assets, net of related debt	<u>78,945</u>	<u>128,443</u>
Total Net Assets	<u>3,128,915</u>	<u>3,550,260</u>
Total Liabilities and Net Assets	<u>\$ 7,949,775</u>	<u>\$ 7,789,775</u>

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

SEEM COLLABORATIVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2011
(with summarized financial information for the year ended June 30, 2010)

	2011	2010
	<u>Total</u>	<u>Total</u>
OPERATING REVENUES		
Massachusetts Teachers' Retirement Board	\$ 149,074	\$ 147,309
Services	21,436,418	20,265,875
Member fees	<u>55,000</u>	<u>55,000</u>
Total Operating Revenues	<u>21,640,492</u>	<u>20,468,184</u>
OPERATING EXPENSES		
Program	20,593,390	19,116,976
Administrative	<u>956,693</u>	<u>1,165,040</u>
Total Operating Expenses	<u>21,550,083</u>	<u>20,282,016</u>
Change in Operating Net Assets	<u>90,409</u>	<u>186,168</u>
NON-OPERATING REVENUES		
Interest	8,017	27,649
Gain on disposal of vehicle	<u>5,341</u>	<u>-</u>
Total Non-operating Revenues	<u>13,358</u>	<u>27,649</u>
Change in Net Assets, before increase in net retirement health benefit obligation	103,767	213,817
Increase in net retirement health benefit obligation	<u>(525,112)</u>	<u>(636,041)</u>
Change in Net Assets	(421,345)	(422,224)
Net Assets – Beginning of Year	<u>3,550,260</u>	<u>3,972,484</u>
Net Assets – End of Year	<u>\$ 3,128,915</u>	<u>\$ 3,550,260</u>

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

SEEM COLLABORATIVE
STATEMENT OF REVENUES AND FUNCTIONAL EXPENSES
For the year ended June 30, 2011
(with summarized financial information for the year ended June 30, 2010)

	SEEM Programs	Trans- portation	Other Services	Admin- istrative	2011 Total	2010 Total
Revenue						
Services	\$ 14,069,931	\$ 6,818,334	\$ 548,153	\$ -	\$ 21,436,418	\$ 20,265,875
Membership fees	-	-	-	55,000	55,000	55,000
Mass. Teachers Retirement	149,074	-	-	-	149,074	147,309
Interest	-	-	-	8,017	8,017	27,649
Gain on disposal of vehicle	-	5,341	-	-	5,341	-
	<u>\$ 14,219,005</u>	<u>\$ 6,823,675</u>	<u>\$ 548,153</u>	<u>\$ 63,017</u>	<u>\$ 21,653,850</u>	<u>\$ 20,495,833</u>
Expenses						
Program Expenses						
Payroll and related benefits	\$ 11,426,947	\$ -	\$ 500,516	\$ 625,443	\$ 12,552,906	\$ 11,634,284
Professional services	279,542	-	5,928	99,900	385,370	450,180
Insurance	13,331	-	828	35,171	49,330	30,003
Transportation	-	6,610,174	-	-	6,610,174	6,312,445
Rent and utilities	940,752	-	17,063	102,894	1,060,709	1,065,602
Supplies	236,794	-	2,985	47,895	287,674	196,880
Food service	85,569	-	-	-	85,569	113,342
Travel, field trips, and conferences	67,853	-	7,441	8,515	83,809	59,829
Telephone	15,565	-	7,217	15,459	38,241	37,665
Depreciation	76,591	-	-	1,454	78,045	80,849
Miscellaneous	28,393	-	-	19,261	47,654	32,819
Maintenance	261,384	-	-	-	261,384	226,553
Training	8,193	-	324	701	9,218	41,565
	<u>\$ 13,440,914</u>	<u>\$ 6,610,174</u>	<u>\$ 542,302</u>	<u>\$ 956,693</u>	<u>\$ 21,550,083</u>	<u>\$ 20,282,016</u>

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

SEEM COLLABORATIVE
STATEMENT OF CASH FLOWS
For the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 22,419,515
Payments to suppliers	(10,994,606)
Payments to employees	<u>(10,206,500)</u>
Cash provided by operating activities	<u>1,218,409</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Insurance proceeds on disposal of vehicle	5,341
Purchase of capital assets	<u>(28,546)</u>
Cash used in investing activities	<u>(23,205)</u>

Net increase in cash and cash equivalents	1,195,204
Cash and cash equivalents at beginning of year	<u>4,035,788</u>

Cash and cash equivalents at end of year	<u>\$ 5,230,992</u>
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Supplemental Data:

Interest paid	<u>\$ -</u>
Taxes paid	<u>\$ -</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating Activities

Change in net assets	\$ (421,345)
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation	78,045
Gain on disposal of fixed assets	(5,341)
Increase in net retirement health benefit obligation	525,112
Change in working capital	
Accounts receivable	898,559
Prepaid expenses and other assets	18,222
Accounts payable and other liabilities	103,636
Deferred revenues	21,521
Cash held for municipalities	68,925
Member municipalities account	<u>(68,925)</u>
Cash provided by operating activities	<u>\$ 1,218,409</u>

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

SEEM COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

SEEM Collaborative was created by agreement pursuant to the provisions of Section 4E of Chapter 40, as Amended by Chapter 797 of the Acts of 1974 and Chapter 323 of the Acts of 1975 by the following school committees: Lynnfield, Melrose, North Reading, Reading, Saugus, Stoneham, Wakefield, Wilmington, Woburn, and Winchester. The purpose of the agreement is to provide special programs and services for school children under the members' jurisdiction. The Collaborative also provides services to non-member districts as services are requested.

The Collaborative's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments and governmental entities through its pronouncements (Statements and Interpretations). Governments and governmental entities are also required to follow pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The Governmental Accounting Standards Board allows governmental not-for-profits that reported using the AICPA not-for-profit model to report under GASB Statement No. 34 as a special purpose government engaged only in business type activities. As such, the basic financial statements of the Collaborative are reported on the same basis as an enterprise fund, which is a proprietary fund in fund financial statements. The Collaborative does not have any funds other than the enterprise fund, and it is not a proprietary fund that is part of a government wide financial statement. As such, the notations "enterprise fund" and "proprietary fund" do not appear on the Collaborative's financial statements.

Cash, Cash Equivalents

For financial statement purposes, the Collaborative considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consist of tuitions billed but not received as of June 30, 2011. At June 30, 2011, accounts receivable consisted of:

Services – SEEM programs	\$ 1,112,950
Services - transportation	<u>1,024,890</u>
	<u>\$ 2,137,840</u>

Member Accounts

Member accounts are an accumulation of various transactions by certain members whereby amounts are held in trust for use by the specific municipalities for special needs programs.

SEEM COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

Property and Equipment

Furniture and equipment are capitalized where the Collaborative maintains possession of the assets and expects future benefits to exceed one year. The assets are stated at cost less accumulated depreciation computed on the straight-line method. The useful lives are estimated to be five to ten years for equipment and five years for leasehold improvements. The Collaborative capitalizes assets purchased in excess of \$1,000.

Property and equipment is as follows:

	<u>2011</u>	<u>2010</u>
Office furniture and equipment	\$ 198,238	\$ 190,327
Vehicles	41,361	41,361
Leasehold improvements	<u>264,726</u>	<u>264,726</u>
	504,325	496,414
Accumulated depreciation	<u>(425,380)</u>	<u>(367,971)</u>
Property and equipment, net	\$ <u>78,945</u>	\$ <u>128,443</u>

Depreciation expense for the year ended June 30, 2011 was \$78,045. During fiscal 2011, the Organization received \$5,341 in insurance proceeds in connection with the disposal of a vehicle.

Use of Estimates

Management used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Contributions

The Collaborative reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Advertising

Advertising costs in the amount of \$1,840 were expensed as incurred for the year ended June 30, 2011.

Subsequent Events

Subsequent events have been evaluated through September 29, 2011, which is the date the financial statements were available to be issued.

SEEM COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE B – LEASE OBLIGATIONS

Operating Leases

The Collaborative has leases for office space and classroom space in the various locations of their programs. The leases have varying expiration dates through 2014.

The minimum future rental commitments under the above operating leases are as follows:

<u>Year Ending June 30</u>	
2012	\$ 743,102
2013	717,150
2014	689,894
2015	26,306
2016 & thereafter	<u>-</u>
	<u>\$2,176,452</u>

The Collaborative also leases equipment, which consists principally of the leasing of copiers under operating leases that expire over the next three years.

The following is a schedule by year of future minimum rental payments required under operating leases for equipment that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011.

<u>Year Ending June 30</u>	
2012	\$29,966
2013	2,774
2014	1,933
2015 & thereafter	<u>-</u>
	<u>\$34,673</u>

NOTE C – CASH HELD FOR MUNICIPALITIES

The Collaborative maintains a separate fund for amounts received from member municipalities for use in program activities as directed by the municipalities.

NOTE D – CONCENTRATION OF CREDIT RISK

From time to time the Collaborative maintained bank account balances in a bank in excess of the federally insured limits. However, the bank has additional insurance provided by the Depositors Insurance Fund in the event of a loss in excess of the FDIC insured limit of \$250,000.

NOTE E – MASSACHUSETTS TEACHERS' RETIREMENT BOARD

In fiscal 2011, the Massachusetts Teachers' Retirement Board contributed \$149,074 in pension benefits on behalf of teachers in the Collaborative, which have been recognized in these financial statements.

SEEM COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F – RETIREMENT HEALTH BENEFITS

The Collaborative follows the provisions of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.”

Description

The Collaborative offers various medical insurance offerings through Blue Cross Blue Shield of Massachusetts to eligible employees. An employee shall become eligible to retire under this plan upon meeting the following conditions:

- i. Completion of 10 years of continuous service at the Collaborative
- ii. Attainment of age 55 as an active member.
- iii. Enrollment in health insurance for the year prior to termination

The plan is administered by the Collaborative and the Collaborative shares in 70% of premiums for Medical insurance.

Funding Policy

The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2011 fiscal year, total Collaborative premiums plus implicit costs for the retiree medical program are \$99,958.

Annual OPEB Cost and Net OPEB Obligation

The Collaborative’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Collaborative’s annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Collaborative’s net OPEB obligation to the plan:

Annual Required Contribution	\$647,592
Interest on net OPEB obligation	50,883
Adjustment to annual required contribution	<u>(73,405)</u>
Annual OPEB cost (expense)	625,070
Contributions Made	99,958
Increase in net OPEB obligation	525,112
Net OPEB Obligation-beginning of year	<u>1,272,082</u>
Net OPEB Obligation-end of year	<u>\$1,797,194</u>

The Collaborative’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 fiscal year and two preceding years were as follows:

SEEM COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F – RETIREMENT HEALTH BENEFITS (*continued*)

Fiscal Year Ended	Annual OPEB Cost	Expected Employer Payments	Net OPEB Obligation
6/30/09	N/A	N/A	N/A
6/30/10	N/A	N/A	N/A
6/30/11	\$625,070	\$99,958	\$525,112
6/30/12 (est.)	\$657,365	\$120,516	\$536,849
6/30/13 (est.)	\$695,000	\$141,501	\$553,499

Funding Status and Funding Progress

As of July 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$4,998,126, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,998,126. The covered payroll (annual payroll of active employees covered by the plan) was \$8,754,240, and the ratio of the UAAL to the covered payroll was 57.1%.

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

Effect of 1% Change in Healthcare Trend Rates

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$6,609,392 or by 32.2% and the corresponding Normal Cost would increase to \$633,199 or by 43.9%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$3,785,018 or by 24.3% and the corresponding Normal Cost would decrease to \$301,456 or by 31.5%.

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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SEEM COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F – RETIREMENT HEALTH BENEFITS (*continued*)

Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 4.00% per annum
Healthcare Trend Rates:

Year	Medical	Dental
FY 2008	11.0%	8.35%
FY 2009	10.0%	8.0%
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption: 3.50% per annum
Annual Compensation Increases: 4.50% per annum
Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
Remaining Amortization Period: 28 years at July 1, 2010

Impact of Section 9A1/2 of M.G.L. Section 32B

For employees who retire on or after January 1, 2011 whenever a retired employee or beneficiary receives a healthcare premium contribution from a government unit in a case where a portion of the retiree's creditable service is attributable to service in 1 or more other governmental units, the first governmental unit shall be reimbursed in full, in accordance with this paragraph, by the other governmental units for the portion of the premium contributions that corresponds to the percentage of the retiree's creditable service that is attributable to each governmental unit. The other governmental units shall be charged based on their own contribution rate or the contribution rate of the first employer, whichever is lower.

For purposes of the valuation the Collaborative has not attempted to value the impact of prior governmental service at other entities in the State of Massachusetts for current employees of the SEEM Collaborative nor has the Collaborative attempted to value the impact of prior SEEM Collaborative employees currently working at other governmental entities in the State of Massachusetts.

Recognition of OPEB trust assets

The State of Massachusetts has recently passed legislation allowing municipal entities to establish a trust for Other Than Postemployment Benefits ("OPEB") under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to prefund the liabilities under GASB 45. The Collaborative has not established an irrevocable trust for the purposes of prefunding liabilities under GASB 45.

SEEM COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE F – RETIREMENT HEALTH BENEFITS (*continued*)

Prior Period Adjustment

During fiscal 2010, the Organization did not record its OPEB obligation in accordance with GASB 45. As a result of applying GASB 45 in the current fiscal year, the liability, expense and net assets have been adjusted in the summarized financial information for fiscal 2010. There was no affect to the fiscal 2011 financial statements as a result of this adjustment.

NOTE G – BOARD DESIGNATED FUNDS

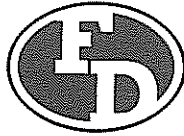
As of June 30, 2011, the Board of Directors of the Collaborative has designated \$400,000 for retiree health benefits as described in Note F and \$44,475 of funds for use to offset future contracted service expenses.

SEEM COLLABORATIVE
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Schedule of Funding Progress - Other Post-Employment Healthcare Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2008	\$0	N/A	N/A	0.0%	N/A	N/A
7/1/2009	\$0	N/A	N/A	0.0%	N/A	N/A
7/1/2010	\$0	\$4,998,126	\$4,998,126	0.0%	\$8,754,240	57.1%
7/1/2011 (est.)	\$0	\$5,551,610	\$5,551,610	0.0%	\$9,148,181	60.7%
7/1/2012 (est.)	\$0	\$6,149,108	\$6,149,108	0.0%	\$9,559,849	64.3%



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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 Members of
SEEM Collaborative
Stoneham, Massachusetts

We have audited the financial statements of SEEM Collaborative as of and for the year ended June 30, 2011, and have issued our report thereon dated September 29, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SEEM Collaborative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SEEM Collaborative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SEEM Collaborative's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described below to be material weaknesses:

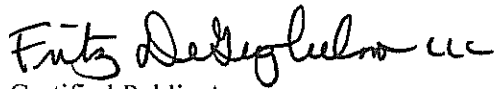
- Unemployment Contributions – Invoices for the Collaborative's share of unemployment contributions were being electronically mailed to the former finance manager's email address. The Collaborative was not receiving these invoices in any other manner and resulted in, as of the date of this report, the Collaborative owing approximately \$178,000 in contributions dating back to December 2009. Any invoices the Collaborative receives electronically should be sent, whenever possible, to two individuals within the Collaborative's finance department to ensure that invoices are received properly. If invoices cannot be electronically sent to two individuals, paper copies of invoices should be requested from the vendor.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of SEEM Collaborative in a separate letter dated September 29, 2011.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
September 29, 2011