

**SEEM COLLABORATIVE**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

June 30, 2012

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
SEEM Collaborative  
Stoneham, Massachusetts

We have audited the accompanying statement of net assets of SEEM Collaborative (a collaborative organized under the laws of the Commonwealth of Massachusetts) as of June 30, 2012, 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 2011 audited financial statements and, in our report dated September 29, 2011, we expressed an unqualified opinion on those financial statements.

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 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, 2012, 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 December 10, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 and required supplementary Schedule of Funding Progress – Other Post-Employment Healthcare Benefits on page 16 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Fritz Axelby* LLC

Certified Public Accountants  
December 10, 2012



SEEM COLLABORATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012, 2011 and 2010. 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>2012</u>        | <u>2011</u>        | <u>2010</u>        |
|---|--------------------|--------------------|--------------------|
| <b>ASSETS</b>                                   |                    |                    |                    |
| Total Current Assets                            | \$7,180,084        | \$7,870,830        | \$7,661,332        |
| Total Non-current Assets                        | <u>143,499</u>     | <u>78,945</u>      | <u>128,443</u>     |
| Total Assets                                    | <u>\$7,323,583</u> | <u>\$7,949,775</u> | <u>\$7,789,775</u> |
| <b>LIABILITIES</b>                              |                    |                    |                    |
| Total Current Liabilities                       | \$2,562,266        | \$3,023,666        | \$2,967,433        |
| Total Non-current Liabilities                   | <u>2,334,043</u>   | <u>1,797,194</u>   | <u>1,272,082</u>   |
| Total Liabilities                               | <u>\$4,896,309</u> | <u>\$4,820,860</u> | <u>\$4,239,515</u> |
| Board designated – unrestricted                 | \$ 444,475         | \$ 444,475         | \$ 444,475         |
| Net assets – unrestricted                       | 1,839,300          | 2,605,495          | 2,977,342          |
| Net assets – temporarily restricted             | -                  | -                  | -                  |
| Invested in capital assets, net of related debt | <u>143,499</u>     | <u>78,945</u>      | <u>128,443</u>     |
| Total Net Assets                                | <u>\$2,427,274</u> | <u>\$3,128,915</u> | <u>\$3,550,260</u> |

SEEM Collaborative's net assets decreased by approximately \$702,000 and \$421,000 in fiscal 2012 and 2011, respectively. During fiscal 2012 and 2011, SEEM Collaborative recorded increases in net retirement health benefit obligations required by GASB 45 of \$536,849 and \$525,112, respectively. Changes in net assets before these increases were approximately \$(165,000) and \$104,000 in fiscal 2012 and 2011, respectively. The deficit in fiscal 2012 was a result of expenses exceeding revenues during the year.

SEEM COLLABORATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

FINANCIAL HIGHLIGHTS – *Continued*

|   | <u>2012</u>         | <u>2011</u>         | <u>2010</u>         |
|---|---------------------|---------------------|---------------------|
| Operating Revenues  | \$22,918,643        | \$21,640,492        | \$20,468,184        |
| Operating Expenses  | <u>23,088,695</u>   | <u>21,550,083</u>   | <u>20,282,016</u>   |
| Operating Income (Loss)   | (170,052)           | 90,409              | 186,168             |
| Non-operating Revenues  | <u>5,260</u>        | <u>13,358</u>       | <u>27,649</u>       |
| Change in net assets, before increase in net retirement health benefit obligation | (164,792)           | 103,767             | 213,817             |
| Increase in net retirement health benefit obligation                              | (536,849)           | (525,112)           | (636,041)           |
| Total net assets – beginning, as adjusted   | <u>3,128,915</u>    | <u>3,550,260</u>    | <u>3,972,484</u>    |
| Total net assets – ending   | <u>\$ 2,427,274</u> | <u>\$ 3,128,915</u> | <u>\$ 3,550,260</u> |

During the years ended June 30, 2012 and 2011, operating revenues increased by approximately \$1,278,000 and \$1,178,000, respectively. The increase in fiscal 2012 revenues was primarily from additional tuition and program services revenues totaling approximately \$850,000 and from transportation services totaling approximately \$401,000. 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. During the years ended June 30, 2012 and 2011, operating expenses increased approximately \$1,539,000 and \$1,268,000, respectively, corresponding to the increase in program and other services revenues.

Non-operating revenue decreased by approximately \$8,000 and \$14,000 for the years ended June 30, 2012 and 2011, 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.

**BUDGETARY HIGHLIGHTS**

The Collaborative's annual budget for fiscal 2012 was approved by its Board of Directors. For the fiscal year ended June 30, 2012, the Collaborative received revenues, excluding on-behalf payments by the Massachusetts Teachers' Retirement Board and transportation, of approximately \$15,464,000 compared to budgeted revenues of approximately \$14,834,000. The difference between actual revenues received and budgeted revenues is primarily due to significantly higher than expected student enrollments and increased tuitions and fees.

For the fiscal year ended June 30, 2012, the Collaborative incurred actual expenditures, excluding on-behalf payments by the Massachusetts Teachers' Retirement Board and transportation, of approximately \$15,845,000 compared to budgeted expenditures of approximately \$14,834,000. The difference between actual expenditures incurred and budgeted expenditures is primarily due to higher than expected personnel costs required to provide services to the additional students enrolled and additional expenditures to place a new school building in service.

**CAPITAL ASSET AND OBLIGATIONS**

The Collaborative purchased approximately \$105,000 of capital assets for programs during fiscal 2012.

**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, 2012

(with summarized financial information as of June 30, 2011)

|  | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Current Assets                                       |                     |                     |
| Cash and cash equivalents                            | \$ 4,666,534        | \$ 5,230,992        |
| Accounts receivable, net                             | 2,101,297           | 2,137,840           |
| Prepaid expenses and other assets                    | 37,835              | 17,576              |
| Cash held for municipalities                         | <u>374,418</u>      | <u>484,422</u>      |
| Total Current Assets                                 | <u>7,180,084</u>    | <u>7,870,830</u>    |
| Non-current Assets                                   |                     |                     |
| Furniture, equipment and leasehold improvements, net | <u>143,499</u>      | <u>78,945</u>       |
| Total Non-current Assets                             | <u>143,499</u>      | <u>78,945</u>       |
| Total Assets   | <u>\$ 7,323,583</u> | <u>\$ 7,949,775</u> |
| <b>LIABILITIES</b>                                   |                     |                     |
| Current Liabilities                                  |                     |                     |
| Accounts payable and accrued liabilities             | \$ 2,180,079        | \$ 2,498,270        |
| Deferred revenues                                    | 7,769               | 40,974              |
| Member municipality accounts                         | <u>374,418</u>      | <u>484,422</u>      |
| Total Current Liabilities                            | <u>2,562,266</u>    | <u>3,023,666</u>    |
| Long Term Liabilities:                               |                     |                     |
| Net retirement health benefit obligation             | <u>2,334,043</u>    | <u>1,797,194</u>    |
| Total Liabilities                                    | <u>4,896,309</u>    | <u>4,820,860</u>    |
| Net Assets   |                     |                     |
| Operating-unrestricted                               | 2,283,775           | 3,049,970           |
| Invested in capital assets, net of related debt      | <u>143,499</u>      | <u>78,945</u>       |
| Total Net Assets                                     | <u>2,427,274</u>    | <u>3,128,915</u>    |
| Total Liabilities and Net Assets                     | <u>\$ 7,323,583</u> | <u>\$ 7,949,775</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, 2012  
(with summarized financial information for the year ended June 30, 2011)

|   | 2012<br><u>Total</u>    | 2011<br><u>Total</u>    |
|---|-------------------------|-------------------------|
| <b>OPERATING REVENUES</b>   |                         |                         |
| Massachusetts Teachers' Retirement Board Services                                     | \$ 235,453              | \$ 149,074              |
| Member fees   | 22,628,190              | 21,436,418              |
|   | <u>55,000</u>           | <u>55,000</u>           |
| <b>Total Operating Revenues</b>   | <u>22,918,643</u>       | <u>21,640,492</u>       |
| <b>OPERATING EXPENSES</b>   |                         |                         |
| Program   | 21,969,445              | 20,593,390              |
| Administrative  | <u>1,119,250</u>        | <u>956,693</u>          |
| <b>Total Operating Expenses</b>   | <u>23,088,695</u>       | <u>21,550,083</u>       |
| <br>Change in Operating Net Assets  | <br><u>(170,052)</u>    | <br><u>90,409</u>       |
| <b>NON-OPERATING REVENUES</b>   |                         |                         |
| Interest  | 5,260                   | 8,017                   |
| Gain on disposal of vehicle   | <u>-</u>                | <u>5,341</u>            |
| <b>Total Non-operating Revenues</b>   | <u>5,260</u>            | <u>13,358</u>           |
| <br>Change in Net Assets, before increase in net retirement health benefit obligation | <br>(164,792)           | <br>103,767             |
| Increase in net retirement health benefit obligation                                  | <u>(536,849)</u>        | <u>(525,112)</u>        |
| <br>Change in Net Assets  | <br>(701,641)           | <br>(421,345)           |
| Net Assets – Beginning of Year  | <u>3,128,915</u>        | <u>3,550,260</u>        |
| <br>Net Assets – End of Year  | <br><u>\$ 2,427,274</u> | <br><u>\$ 3,128,915</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, 2012  
(with summarized financial information for the year ended June 30, 2011)

|   | SEEM<br>Programs    | Trans-<br>portation | Other<br>Services | Admin-<br>istrative | 2012<br>Total        | 2011<br>Total        |
|---|---------------------|---------------------|-------------------|---------------------|----------------------|----------------------|
| <b>Revenue</b>                          |                     |                     |                   |                     |                      |                      |
| Services                                | \$14,833,824        | \$ 7,224,394        | \$ 569,972        | \$ -                | \$ 22,628,190        | \$ 21,436,418        |
| Membership fees                         | -                   | -                   | -                 | 55,000              | 55,000               | 55,000               |
| Mass. Teachers Retirement               | 235,453             | -                   | -                 | -                   | 235,453              | 149,074              |
| Interest                                | -                   | -                   | -                 | 5,260               | 5,260                | 8,017                |
| Gain on disposal of vehicle             | -                   | -                   | -                 | -                   | -                    | 5,341                |
|   | <u>\$15,069,277</u> | <u>\$ 7,224,394</u> | <u>\$ 569,972</u> | <u>\$ 60,260</u>    | <u>\$ 22,923,903</u> | <u>\$ 21,653,850</u> |
| <b>Expenses</b>                         |                     |                     |                   |                     |                      |                      |
| <b>Program Expenses</b>                 |                     |                     |                   |                     |                      |                      |
| Payroll and related<br>benefits         | \$12,136,794        | \$ -                | \$ 718,795        | \$ 833,785          | \$ 13,689,374        | \$ 12,552,906        |
| Professional services                   | 319,070             | -                   | -                 | 70,036              | 389,106              | 385,370              |
| Insurance                               | 10,464              | -                   | 656               | 35,898              | 47,018               | 49,330               |
| Transportation                          | -                   | 7,008,273           | -                 | -                   | 7,008,273            | 6,610,174            |
| Rent and utilities                      | 916,751             | -                   | 17,142            | 97,399              | 1,031,292            | 1,060,709            |
| Supplies                                | 240,953             | -                   | 5,566             | 31,141              | 277,660              | 287,674              |
| Food service                            | 86,810              | -                   | -                 | -                   | 86,810               | 85,569               |
| Travel, field trips, and<br>conferences | 71,848              | -                   | 23,716            | 7,015               | 102,579              | 83,809               |
| Telephone                               | 22,789              | -                   | 7,489             | 17,631              | 47,909               | 38,241               |
| Depreciation                            | 40,236              | -                   | -                 | 562                 | 40,798               | 78,045               |
| Miscellaneous                           | 28,920              | -                   | 170               | 22,753              | 51,843               | 47,654               |
| Maintenance                             | 247,241             | -                   | -                 | -                   | 247,241              | 261,384              |
| Bad debt                                | 9,389               | -                   | -                 | -                   | 9,389                | -                    |
| Training                                | 51,646              | -                   | 4,727             | 3,030               | 59,403               | 9,218                |
|   | <u>\$14,182,911</u> | <u>\$ 7,008,273</u> | <u>\$ 778,261</u> | <u>\$ 1,119,250</u> | <u>\$ 23,088,695</u> | <u>\$ 21,550,083</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, 2012

|   |                       |
|---|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                       |
| Receipts from members and others  | \$ 22,682,399         |
| Payments to suppliers and others  | (12,009,509)          |
| Payments to employees   | <u>(11,131,996)</u>   |
| Cash used in operating activities   | <u>(459,106)</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                       |
| Purchase of capital assets  | <u>(105,352)</u>      |
| Cash used in investing activities   | <u>(105,352)</u>      |
| Net decrease in cash and cash equivalents   | (564,458)             |
| Cash and cash equivalents at beginning of year  | <u>5,230,992</u>      |
| Cash and cash equivalents at end of year  | <u>\$ 4,666,534</u>   |
| <b>Supplemental Data:</b>   |                       |
| Interest paid   | \$ <u>          -</u> |
| Taxes paid  | \$ <u>          -</u> |
| <b>Reconciliation of operating income to net cash used in operating activities:</b>     |                       |
| Operating Activities  |                       |
| Change in net assets  | \$ (701,641)          |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                       |
| Depreciation  | 40,798                |
| Bad debt expense  | 9,389                 |
| Increase in net retirement health benefit obligation                                    | 536,849               |
| Change in working capital   |                       |
| Accounts receivable   | 27,154                |
| Prepaid expenses and other assets   | (20,259)              |
| Accounts payable and other liabilities  | (318,191)             |
| Deferred revenues   | (33,205)              |
| Cash held for municipalities  | 110,004               |
| Member municipalities account   | <u>(110,004)</u>      |
| Cash used in operating activities   | <u>\$ (459,106)</u>   |

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



SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 by Chapter 43 of the Acts of 2012 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.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Collaborative's financial statements for the year ended June 30, 2011, from which the summarized information was derived. Certain reclassifications have been made to the summarized information to be consistent with the presentation in the audited financial statements as of June 30, 2012.

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, 2012. At June 30, 2012, accounts receivable consisted of:

|                           |                     |
|---------------------------|---------------------|
| Services – SEEM programs  | \$ 1,197,883        |
| Services - transportation | <u>903,414</u>      |
|                           | \$ <u>2,101,297</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, 2012

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>2012</u>       | <u>2011</u>      |
|--------------------------------|-------------------|------------------|
| Office furniture and equipment | \$ 204,145        | \$ 198,238       |
| Vehicles                       | 41,361            | 41,361           |
| Leasehold improvements         | <u>364,171</u>    | <u>264,726</u>   |
|                                | 609,677           | 504,325          |
| Accumulated depreciation       | <u>(466,178)</u>  | <u>(425,380)</u> |
| Property and equipment, net    | <u>\$ 143,499</u> | <u>\$ 78,945</u> |

Depreciation expense for the year ended June 30, 2012 was \$40,798.

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 \$2,814 were expensed as incurred for the year ended June 30, 2012.

Subsequent Events

Subsequent events have been evaluated through December 10, 2012, which is the date the financial statements were available to be issued.

NOTE B – LEASE OBLIGATIONS

Operating Leases

The Collaborative has leases for office space and classroom space in the various locations. With the exception of the Collaborative's administrative office, all space is leased from certain member districts' cities and towns. The leases have varying expiration dates through fiscal 2015.



SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B – LEASE OBLIGATIONS *(continued)*

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

| <u>Year Ending June 30</u> |                    |
|----------------------------|--------------------|
| 2013                       | \$ 833,865         |
| 2014                       | 689,894            |
| 2015                       | 26,306             |
| 2016 & thereafter          | <u>-</u>           |
|                            | <u>\$1,550,065</u> |

Leases with member districts include:

- Town of Wakefield, School Facility – Yeuell School, 7/1/11-6/30/12, renewed for 1 additional year as of 7/1/12.
- Town of Stoneham, School Facility – Central School, 7/1/11-6/30/14
- Town of Melrose, School Facilities – Ripley School and Beebe School, 8/1/11-7/31/14
- Town of North Reading, Classroom Space – North Reading Middle, month-to-month, formal agreement as of 9/1/12 through 7/30/13.

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, 2012.

| <u>Year Ending June 30</u> |                  |
|----------------------------|------------------|
| 2013                       | \$ 38,108        |
| 2014                       | 37,933           |
| 2015                       | 24,000           |
| 2016 & thereafter          | <u>-</u>         |
|                            | <u>\$100,041</u> |

NOTE C – CASH HELD FOR MUNICIPALITIES

The Collaborative maintains a separate fund for amounts received from member municipalities for use in program activities or for special education purposes 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 – EMPLOYEES' RETIREMENT PLANS

The Collaborative's employees participate in the Massachusetts Teachers or State Retirement Plan, a statewide multiple-employer public employee retirement system covering all employees of local school districts within the Commonwealth of Massachusetts. These retirement systems are cost sharing public employee retirement systems with one exception; all risks and costs are not shared by the Collaborative but are the liability of the Commonwealth of Massachusetts. These systems are funded primarily through state and employee contributions, and the Collaborative has no legal obligation for paying benefits.

SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E – EMPLOYEES' RETIREMENT PLANS *(continued)*

All employees who are employed for one-half or more of the standard workload at a comparable rate of pay are eligible to participate in either the Massachusetts Teachers or State Retirement Plan. Participants have a vested right to retirement benefits at age 55 (age 60 for those joining the system after April 2, 2012), with at least 10 years of service, or at any age with at least 20 years of service, if they do not withdraw deposits. The Commonwealth of Massachusetts contributes a percentage of the employee's gross earnings except for those Collaborative employees being paid from and participating in federally funded programs. The employees contribute a percentage of their gross earnings, based on the date of entry into the plan. These funds are withheld by the Collaborative and transmitted to the Commonwealth. The Collaborative contributes 7.8% of the gross salaries to the Massachusetts State Retirement Plan for those employees not covered under the Massachusetts Teachers Retirement plan or OBRA plan.

In fiscal 2012, the Massachusetts Teachers' Retirement Board contributed \$235,453 in pension benefits on behalf of teachers in the Collaborative, which have been recognized in these financial statements.

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 Tufts Health Plan 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 policy changes enacted by the Collaborative's board of directors. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2012 fiscal year, total expected Collaborative premiums plus implicit costs for the retiree medical program are \$120,516.

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:



SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE F – RETIREMENT HEALTH BENEFITS *(continued)*

|  |                    |
|--|--------------------|
| Annual Required Contribution (estimated)               | \$662,282          |
| Interest on net OPEB obligation (estimated)            | 68,488             |
| Adjustment to annual required contribution (estimated) | <u>(73,405)</u>    |
| Annual OPEB cost (expense)                             | 657,365            |
| Contributions Made (expected)                          | <u>120,516</u>     |
| Increase in net OPEB obligation                        | 536,849            |
| Net OPEB Obligation-beginning of year                  | <u>1,797,194</u>   |
| Net OPEB Obligation-end of year                        | <u>\$2,334,043</u> |

The Collaborative's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 fiscal year and two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Expected Employer Payments | Net OPEB Obligation |
|-------------------|------------------|----------------------------|---------------------|
| 6/30/10           | N/A              | N/A                        | N/A                 |
| 6/30/11           | \$625,070        | \$99,958                   | \$525,112           |
| 6/30/12           | \$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 estimated actuarial liability for benefits as of June 30, 2012 was \$6,149,108, and the estimated actuarial value of assets was \$0, resulting in an estimated unfunded actuarial accrued liability (UAAL) of \$6,149,108. The estimated covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2012 was \$9,559,849, and the ratio of the UAAL to the covered payroll was 64.3%. The Collaborative is in the process of establishing funding of the actuarial accrued liability and as of June 30, 2012, the Collaborative's Board of Directors had designated \$400,000 for retiree health benefit obligations.

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.

SEEM COLLABORATIVE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

NOTE F – RETIREMENT HEALTH BENEFITS *(continued)*

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 as of July 1, 2010, the most recent valuation date, 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 as of July 1, 2010, the most recent valuation date, 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.

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: 27 years at July 1, 2011

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.



SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F – RETIREMENT HEALTH BENEFITS *(continued)*

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.

NOTE G – BOARD DESIGNATED FUNDS

As of June 30, 2012, 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.

NOTE H – HIGHEST PAID EMPLOYEES

The five highest paid employees of the Collaborative during fiscal 2012 were as follows:

| Name             | Title                            | FY 2012 Salary |
|------------------|----------------------------------|----------------|
| Catherine Lawson | Executive Director               | \$135,200      |
| Ryan Snyder      | Board Certified Behavior Analyst | \$ 99,111      |
| Margery Lerner   | Board Certified Behavior Analyst | \$ 96,953      |
| Clinton Rowe     | Business Manager                 | \$ 94,500      |
| Amanda Kelly     | Board Certified Behavior Analyst | \$ 94,067      |

All employees listed above were employed by the Collaborative under 12 month contracts.

SEEM COLLABORATIVE  
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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 Board of Directors of  
SEEM Collaborative  
Stoneham, Massachusetts

We have audited the financial statements of SEEM Collaborative as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. 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

Management of SEEM Collaborative is responsible for establishing and maintaining effective 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 in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses to be a material weakness (finding 2012-1).

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*.

SEEM Collaborative's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit SEEM Collaborative's response and, accordingly, we express no opinion on it.

We noted certain other matters that we reported to management of SEEM Collaborative in a separate letter dated December 10, 2012.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal and state 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  
December 10, 2012



SEEM COLLABORATIVE  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2012

**Finding 2012-1:**

**Condition:** Financial information and summaries of activities provided to the Board of Directors during the year contained inaccuracies that misrepresented the actual financial results of the Collaborative.

**Criteria:** Management and the Board of Directors require proper, timely financial reporting in order to make decisions affecting the operations of the Collaborative and to determine that financial transactions are being recorded properly.

**Cause:** The finance director was reporting to the Executive Director and Board of Directors using modified reports derived from the Collaborative's financial software, rather than using reports directly generated by the software. This resulted in inaccuracies in financial reporting to the Executive Director and Board of Directors.

**Potential effect:** Lack of effective financial reporting can affect management's and the Board of Director's decision making process and oversight of the financial aspects of the Collaborative. Ineffective oversight could lead to circumvention of controls, material misstatements and improper decision making within the Collaborative's financial reporting functions.

**Recommendation:** We recommend automating the reporting process using the Collaborative's financial software to limit inaccuracies in reporting financial information to management and the Board of Directors. Improved review and oversight procedures of financial reporting should be implemented. We understand that the Collaborative has hired a new Director of Finance and Operations and has started the process of improving procedures in the financial reporting area as of the date of this report.

**Management's Response:**

Neither the Executive Director nor the Board of Directors was aware that the Finance Director was using modified reports from the Collaborative software, instead of generating reports directly from the software. Strong internal controls and accurate reporting of information has been and is a top priority of the Collaborative since the beginning of the Executive Director's tenure in that position. After the former Director of Finance had left the Collaborative's employment and prior to this finding by the auditors, the Board of Directors and Management had already taken the following steps which address the auditor's findings and will improve the Collaborative's systems for reporting financial information. The new Director of Finance and Operations is currently reporting all financial information to the Board of Directors and Executive Director using reports derived directly from the financial software system; this is accompanied by an additional report that provides revenue and expense projections, including a description of accompanying assumptions and allocation methods, as a method for anticipating how the Collaborative will complete the year. The Executive Director meets regularly with the Director of Finance to review and verify that information reported is sourced directly from the Financial Software system. The Board of Directors has subsequently organized a subcommittee to review financial software packages in an effort to further strengthen financial controls and ensure proper and accurate recording of all financial transactions.





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

To the Board of Directors and Senior Management  
SEEM Collaborative  
Stoneham, Massachusetts

In planning and performing our audit of the financial statements of SEEM Collaborative as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered SEEM Collaborative's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control.

During the audit we became aware of other matters, which are not considered significant deficiencies that are opportunities for strengthening internal controls and operating efficiency. This letter does not effect our report dated December 10, 2012 on the financial statements of SEEM Collaborative.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Collaborative personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

**Current Year Comments**

We did not identify any new matters to report from the current year audit, except for the material weakness identified in our report dated December 10, 2012 on our consideration of the Collaborative's internal control over financial reporting.

**Status of Prior Year Comments**

The following items were considered other matters that should be reported to management during the fiscal 2011 audit:

**Retirement Health Benefits**

Last year, we suggested members consider establishing set aside funding to pay for retiree health premiums for eligible employees under the current retiree health policy. We continue to suggest that the Board of Directors, with consideration of working capital needs, set aside funds for retiree health benefits. We understand that an account has been established but funding has not been transferred as of yet.

**Payroll Recording**

The finance staff is currently using a manual spreadsheet method of recording payroll transactions to the general ledger. While the total payroll expense was recorded properly to the general ledger, the amounts were not allocated properly to departments due to formula errors in the worksheet. We recommended that

the finance department implement a system to automate the recording of payroll journal entries, such as working with the outside payroll company to generate a report that allows automatic download to the general ledger. If a manual system continued to be used, we recommended an additional level of review of the manual spreadsheet prior to posting to the general ledger. The Collaborative has not implemented our recommendations as of yet.

**Depreciation and Summer Accrued Tuition**

The Collaborative relies on the auditor to propose estimated adjustments for depreciation and accrued summer tuition during the audit and there is no automated system of calculating these amounts. The accounting staff should maintain an automated ledger system for depreciation and the ledger should be reconciled to the general ledger periodically. The current accounting software, or a separate depreciation software, can be utilized to manage the fixed assets of the Collaborative. The summer accrued tuition is an annual calculation based on actual summer tuitions and can be calculated prior to the audit being performed. Depreciation and summer accruals were proposed by the auditor again during this year's audit.

\*\*\*\*\*

We wish to thank Cathy Lawson, and the rest of her staff for their support and assistance during the audit. This report is intended for the information and use of management, the Board of Directors of the Collaborative and others within the Collaborative, and is not intended to be and should not be used by anyone other than these specified parties.

*Fritz DeStuglielmo LLC*  
December 10, 2012