



**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, 2013, 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 November 12, 2013 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.

**Status of Prior Year Comments**

The following items were considered matters that should be reported to management, including a material weakness in internal control, during the fiscal 2012 audit:

**Prior Year Finding 2012-1 – Financial Reporting to the Board of Directors**

During last year's audit, we issued a finding regarding a material weakness in internal control. 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. 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. 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. We recommended automating the reporting process using the Collaborative's financial software to limit inaccuracies in reporting financial information to management and the Board of Directors.

STATUS: During fiscal 2013, the Collaborative hired a new Director of Finance and Operations and has implemented procedures to use reports directly generated from the Collaborative's financial software. Based on a review of reports provided to the Executive Director and Board of Directors, we noted that the information contained in the reports is consistent with information recorded in the financial software.

**Payroll Recording**

The finance staff is currently using a manual spreadsheet method of recording payroll transactions to the general ledger. 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 continues to be used, we recommended an additional level of review of the manual spreadsheet prior to posting to the general ledger.

STATUS: The Collaborative continues to use a manual system but has since implemented our recommendation that additional levels of review are performed.

**Depreciation and Summer Accrued Tuition**

The Collaborative previously relied on the auditor to propose estimated adjustments for depreciation, accrued summer tuition and payroll during the audit and there is no automated system of calculating these amounts. We recommended that the finance staff should maintain an automated ledger system for depreciation and the ledger should be reconciled to the general ledger periodically. The summer accrued tuition is an annual calculation based on actual summer tuitions and can be calculated prior to the audit being performed.

STATUS: Depreciation and summer accruals were properly calculated and adjusted for by the finance staff prior to the start of the audit.

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We wish to thank Cathy Lawson, Greg Zammuto and the rest of their 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 DeLuigi*

November 12, 2013

**SEEM COLLABORATIVE**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**June 30, 2013**

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SEEM COLLABORATIVE

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June 30, 2013

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
SEEM Collaborative  
Stoneham, Massachusetts

**Report on the Financial Statements**

We have audited the accompanying financial statements of SEEM Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position, revenues and functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**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 an opinion 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 opinion.

**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, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited SEEM Collaborative's 2012 financial statements, and our report dated December 10, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized



comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress – Other Post-Employment Healthcare Benefits on pages 3–4 and 17 be presented to supplement the basic financial statements. Such information, although not a 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 November 12, 2013, on our consideration of SEEM Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SEEM Collaborative's internal control over financial reporting and compliance.



Certified Public Accountants

Newburyport, Massachusetts

November 12, 2013

SEEM COLLABORATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

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, 2013, 2012 and 2011. 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 Position – The Statement of Net Position provides a presentation of our assets and liabilities as of the date of the financial statements.

Statement of Revenues, Expenses and Changes in Net Position – The Statement of Revenues, Expenses and Changes in Net Position 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>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Total Current Assets	\$7,992,956	\$7,180,084	\$7,870,830
Total Non-current Assets	<u>241,481</u>	<u>143,499</u>	<u>78,945</u>
Total Assets	<u>\$8,234,437</u>	<u>\$7,323,583</u>	<u>\$7,949,775</u>
<b>LIABILITIES</b>			
Total Current Liabilities	\$3,285,661	\$2,562,266	\$3,023,666
Total Non-current Liabilities	<u>3,092,146</u>	<u>2,334,043</u>	<u>1,797,194</u>
Total Liabilities	<u>\$6,377,807</u>	<u>\$4,896,309</u>	<u>\$4,820,860</u>
Board designated – unrestricted	\$ 444,475	\$ 444,475	\$ 444,475
Net position – unrestricted	1,170,674	1,839,300	2,605,495
Invested in capital assets, net of related debt	<u>241,481</u>	<u>143,499</u>	<u>78,945</u>
Total Net Position	<u>\$1,856,630</u>	<u>\$2,427,274</u>	<u>\$3,128,915</u>

SEEM Collaborative's net position decreased by approximately \$571,000 and \$702,000 in fiscal 2013 and 2012, respectively. During fiscal 2013 and 2012, SEEM Collaborative recorded increases in net retirement health benefit obligations required by GASB 45 of \$758,103 and \$536,849, respectively. Changes in net position before these increases were approximately \$187,000 and \$(165,000) in fiscal 2013 and 2012, respectively. The surplus in fiscal 2013 was a result of revenues exceeding expenses during the year.



SEEM COLLABORATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

FINANCIAL HIGHLIGHTS – *Continued*

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$24,463,683	\$22,918,643	\$21,640,492
Operating Expenses	<u>24,279,070</u>	<u>23,088,695</u>	<u>21,550,083</u>
Change in operating net position	184,613	(170,052)	90,409
Non-operating Revenues	<u>2,846</u>	<u>5,260</u>	<u>13,358</u>
Change in net position, before increase in net retirement health benefit obligation	187,459	(164,792)	103,767
Increase in net retirement health benefit obligation	(758,103)	(536,849)	(525,112)
Total net position – beginning, as adjusted	<u>2,427,274</u>	<u>3,128,915</u>	<u>3,550,260</u>
Total net position – ending	<u>\$ 1,856,630</u>	<u>\$ 2,427,274</u>	<u>\$ 3,128,915</u>

During the years ended June 30, 2013 and 2012, operating revenues increased by approximately \$1,545,000 and \$1,278,000, respectively. The increase in fiscal 2013 revenues was primarily from additional tuition and program services revenues of approximately \$1,219,000, additional other services revenue of approximately \$175,000, and additional transportation services of approximately \$152,000. The increase in fiscal 2012 revenues was primarily from additional tuition and program services revenues of approximately \$850,000 and from transportation services of approximately \$401,000. During the years ended June 30, 2013 and 2012, operating expenses increased approximately \$1,190,000 and \$1,539,000, respectively. The increases in expenses for the years ended June 30, 2013 and 2012 were primarily due to corresponding increases in program and other service revenues. In fiscal 2012, the Collaborative also invested in a new program location.

Non-operating revenue decreased by approximately \$2,400 and \$8,000 for the years ended June 30, 2013 and 2012, respectively. The decreases were due to less funds being held in interest bearing accounts.

BUDGETARY HIGHLIGHTS

The Collaborative's annual budget for fiscal 2013 was approved by its Board of Directors. For the fiscal year ended June 30, 2013, the Collaborative received revenues, excluding on-behalf payments by the Massachusetts Teachers' Retirement Board and transportation, of approximately \$16,817,000 compared to budgeted revenues of approximately \$15,761,000. 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, 2013, the Collaborative incurred actual expenditures, excluding on-behalf payments by the Massachusetts Teachers' Retirement Board and transportation, of approximately \$16,845,000 compared to budgeted expenditures of approximately \$15,782,000. 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 \$156,000 of capital assets for programs during fiscal 2013.

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 POSITION

June 30, 2013

(with summarized financial information as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents - unrestricted	\$ 4,625,742	\$ 4,666,534
Cash and cash equivalents - designated	444,475	-
Accounts receivable, net	2,602,299	2,101,297
Prepaid expenses and other assets	14,400	37,835
Cash held for municipalities	<u>306,040</u>	<u>374,418</u>
Total Current Assets	<u>7,992,956</u>	<u>7,180,084</u>
<b>Non-current Assets</b>		
Furniture, equipment and leasehold improvements, net	<u>241,481</u>	<u>143,499</u>
Total Non-current Assets	<u>241,481</u>	<u>143,499</u>
<b>Total Assets</b>	<u>\$ 8,234,437</u>	<u>\$ 7,323,583</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,873,063	\$ 2,180,079
Deferred revenues	106,558	7,769
Member municipality accounts	<u>306,040</u>	<u>374,418</u>
Total Current Liabilities	<u>3,285,661</u>	<u>2,562,266</u>
<b>Long Term Liabilities:</b>		
Net retirement health benefit obligation	<u>3,092,146</u>	<u>2,334,043</u>
<b>Total Liabilities</b>	<u>6,377,807</u>	<u>4,896,309</u>
<b>Net Position</b>		
Operating-unrestricted	1,615,149	2,283,775
Invested in capital assets, net of related debt	<u>241,481</u>	<u>143,499</u>
<b>Total Net Position</b>	<u>1,856,630</u>	<u>2,427,274</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 8,234,437</u>	<u>\$ 7,323,583</u>

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

SEEM COLLABORATIVE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the year ended June 30, 2013  
(with summarized financial information for the year ended June 30, 2012)

	2013	2012
	<u>Total</u>	<u>Total</u>
<b>OPERATING REVENUES</b>		
Massachusetts Teachers' Retirement Board	\$ 273,968	\$ 235,453
Services and other program revenues	24,134,715	22,628,190
Member fees	<u>55,000</u>	<u>55,000</u>
Total Operating Revenues	<u>24,463,683</u>	<u>22,918,643</u>
<b>OPERATING EXPENSES</b>		
Program	22,999,625	21,969,445
Administrative	<u>1,279,445</u>	<u>1,119,250</u>
Total Operating Expenses	<u>24,279,070</u>	<u>23,088,695</u>
Change in Operating Net Position	<u>184,613</u>	<u>(170,052)</u>
<b>NON-OPERATING REVENUES</b>		
Interest	<u>2,846</u>	<u>5,260</u>
Total Non-operating Revenues	<u>2,846</u>	<u>5,260</u>
Change in Net Position, before increase in net retirement health benefit obligation	187,459	(164,792)
Increase in net retirement health benefit obligation	<u>(758,103)</u>	<u>(536,849)</u>
Change in Net Position	(570,644)	(701,641)
Net Position – Beginning of Year	<u>2,427,274</u>	<u>3,128,915</u>
Net Position – End of Year	<u>\$ 1,856,630</u>	<u>\$ 2,427,274</u>

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

SEEM COLLABORATIVE  
STATEMENT OF REVENUES AND FUNCTIONAL EXPENSES  
For the year ended June 30, 2013  
(with summarized financial information for the year ended June 30, 2012)

	SEEM Programs	Trans- portation	Other Services	Admin- istrative	2013 Total	2012 Total
<b>Revenue</b>						
Services and other program revenues	\$16,013,989	\$ 7,376,052	\$ 744,674	\$ -	\$ 24,134,715	\$ 22,628,190
Membership fees	-	-	-	55,000	55,000	55,000
Mass. Teachers Retirement	273,968	-	-	-	273,968	235,453
Interest	-	-	-	2,846	2,846	5,260
	<u>\$16,287,957</u>	<u>\$ 7,376,052</u>	<u>\$ 744,674</u>	<u>\$ 57,846</u>	<u>\$ 24,466,529</u>	<u>\$ 22,923,903</u>
<b>Expenses</b>						
<b>Program Expenses</b>						
Payroll and related benefits	\$12,786,095	\$ -	\$ 752,502	\$ 939,337	\$ 14,477,934	\$ 13,689,374
Professional services	172,045	-	490	70,040	242,575	389,106
Insurance	16,484	-	1,026	39,021	56,531	47,018
Transportation	-	7,159,633	-	-	7,159,633	7,008,273
Rent and utilities	997,830	-	17,215	99,045	1,114,090	1,031,292
Supplies	423,955	-	8,009	92,024	523,988	277,660
Food service	120,140	-	-	-	120,140	86,810
Travel, field trips, and conferences	82,778	-	28,550	8,248	119,576	102,579
Telephone	26,386	-	6,160	8,721	41,267	47,909
Depreciation	57,678	-	-	-	57,678	40,798
Miscellaneous	13,736	-	70	22,809	36,615	51,843
Maintenance	257,504	-	-	-	257,504	247,241
Bad debt	-	-	-	-	-	9,389
Training	16,935	-	54,404	200	71,539	59,403
	<u>\$14,971,566</u>	<u>\$ 7,159,633</u>	<u>\$ 868,426</u>	<u>\$ 1,279,445</u>	<u>\$ 24,279,070</u>	<u>\$ 23,088,695</u>

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

SEEM COLLABORATIVE  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from members and others	\$ 23,790,348
Payments to suppliers and others	(11,674,362)
Payments to employees	<u>(11,556,643)</u>
Cash provided by operating activities	<u>559,343</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	<u>(155,660)</u>
Cash used in investing activities	<u>(155,660)</u>
Net increase in cash and cash equivalents	403,683
Cash and cash equivalents at beginning of year	<u>4,666,534</u>
Cash and cash equivalents at end of year	<u>\$ 5,070,217</u>

Supplemental Data:

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

Reconciliation of change in net position to net cash provided by operating activities:

Operating Activities

Change in net position	\$ (570,644)
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Adjustments to reconcile change in net position to net cash provided by operating activities:

Depreciation	57,678
Increase in net retirement health benefit obligation	758,103
Change in working capital	
Accounts receivable	(501,002)
Prepaid expenses and other assets	23,435
Accounts payable and other liabilities	692,984
Deferred revenues	98,789
Cash held for municipalities	68,378
Member municipalities account	<u>(68,378)</u>
Cash provided by operating activities	<u>\$ 559,343</u>

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

SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 2012, 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, 2013.

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, 2013. At June 30, 2013, accounts receivable consisted of:

Services – SEEM programs	\$ 1,074,034
Services - transportation	<u>1,528,265</u>
	<u>\$ 2,602,299</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, 2013

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 \$5,000.

Property and equipment is as follows:

	<u>2013</u>	<u>2012</u>
Office furniture and equipment	\$ 241,995	\$ 204,145
Vehicles	127,181	41,361
Leasehold improvements	<u>396,161</u>	<u>364,171</u>
	765,337	609,677
Accumulated depreciation	<u>(523,856)</u>	<u>(466,178)</u>
Property and equipment, net	<u>\$ 241,481</u>	<u>\$ 143,499</u>

Depreciation expense for the year ended June 30, 2013 was \$57,678.

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 position is reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Subsequent Events

Subsequent events have been evaluated through November 12, 2013, 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 2019.

SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE B – LEASE OBLIGATIONS *(continued)*

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

<u>Year Ending June 30</u>	
2014	\$ 748,583
2015	112,595
2016	86,289
2017	86,289
2018	<u>86,289</u>
	<u>\$1,120,045</u>

Leases with member districts include:

- Town of Wakefield, School Facility – Yeuell School, 7/1/12-6/30/13, renewed for 1 additional year as of 7/1/13
- 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, 9/1/12-7/31/13, renewed for 1 additional year as of 7/1/13

The Collaborative also leases equipment, which consists principally of the leasing of copiers under operating leases that expire over the next two 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, 2013.

<u>Year Ending June 30</u>	
2014	\$ 37,933
2015	24,000
2016 & thereafter	<u>-</u>
	<u>\$ 61,933</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. Prior to June 30, 2013, the Collaborative notified its members that it would no longer be maintaining these accounts. Subsequently, the Collaborative disbursed funds to member districts or applied the balance to outstanding receivables based on instructions from the districts.

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 Share Insurance Fund in the event of a loss in excess of the FDIC insured limit of \$250,000.

SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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.

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 5.6% 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 2013, the Massachusetts Teachers’ Retirement Board contributed \$273,968 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 2013 fiscal year, total expected Collaborative premiums plus implicit costs for the retiree medical program are \$105,874.

SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE F – RETIREMENT HEALTH BENEFITS *(continued)*

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 (estimated)	\$813,151
Interest on net OPEB obligation (estimated)	93,362
Adjustment to annual required contribution (estimated)	(129,786)
Amortization of Actuarial (Gains)/Losses	87,250
Annual OPEB cost (expense)	863,977
Contributions Made (expected)	105,874
Increase in net OPEB obligation	758,103
Net OPEB Obligation-beginning of year	2,334,043
Net OPEB Obligation-end of year	<u>\$3,092,146</u>

The Collaborative’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Expected Employer Payments	Net OPEB Obligation
6/30/11	\$625,070	\$99,958	\$525,112
6/30/12	\$657,365	\$120,516	\$536,849
6/30/13	\$863,977	\$105,874	\$758,103
6/30/14 (est.)	\$945,210	\$126,673	\$818,537
6/30/15 (est.)	\$1,028,514	\$138,171	\$890,343

Funding Status and Funding Progress

As of July 1, 2012, the most recent valuation date, the plan was 7.67% funded. The estimated actuarial liability for benefits as of June 30, 2013 was \$5,794,670, and the estimated actuarial value of assets was \$444,475, resulting in an estimated unfunded actuarial accrued liability (UAAL) of \$5,350,195. The estimated covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013 was \$10,911,104, and the ratio of the UAAL to the covered payroll was 49.0%.

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, 2013

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, 2012, the most recent valuation date, would increase to \$7,808,447 or by 34.8% and the corresponding Normal Cost would increase to \$972,675 or by 60.6%. 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, 2012, the most recent valuation date, would decrease to \$4,097,715 or by 29.3% and the corresponding Normal Cost would decrease to \$413,468 or by 31.7%.

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%	8.0%
FY 2009	10.0%	7.5%
FY 2010	9.0%	7.0%
FY 2011	8.0%	6.5%
FY 2012	7.0%	6.0%
FY 2013	6.0%	5.5%
FY 2014	5.0%	5.0%
FY 2015	5.0%	5.0%

General Inflation Assumption: 2.50% per annum  
Annual Compensation Increases: 3.00% per annum  
Actuarial Value of Assets: Market Value  
Amortization of UAAL: Amortized as level dollar amount over 30 years at transition  
Remaining Amortization Period: 26 years at July 1, 2012

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, 2013

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, 2013, the Board of Directors of the Collaborative has designated \$444,475 for retiree health benefits as described in Note F.

NOTE H – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW c.40 § 4E

The five highest paid employees of the Collaborative during fiscal 2013 were as follows:

Name	Title	FY 2013 Salary
Catherine Lawson	Executive Director	\$133,900
Ryan Snyder	Supervisor of Behavioral Services	\$ 96,795
Margery Lerner	Applied Behavior Analyst	\$ 94,725
Amanda Kelly	Applied Behavior Analyst	\$ 91,867
Kristopher Van Herp	Applied Behavior Analyst	\$ 90,284

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

Over 21 Program

The Collaborative does not provide services to individuals over age 21.

Administrative Costs

Total administrative costs incurred by the Collaborative totaled \$1,279,445 for the year ended June 30, 2013. Administrative expenses include all costs that cannot be directly or reasonably applied to a program of the Collaborative. Administrative expenses include salaries, related benefits and payroll taxes, associated with the Collaborative’s administrative office (ie, Executive Director, finance staff, human resources, etc.), as well as other costs associated with maintaining that office (ie occupancy, supplies, etc.). The Collaborative 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.



SEEM COLLABORATIVE  
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE H – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW c.40 § 4E -  
*continued*

Accounts Held on Behalf of Others

As disclosed in Note C to the financial statements, the Collaborative holds funds on behalf of certain member districts, for use in program activities or services as directed by the member district. The overall balance held for these member districts is shown on the Statement of Net Position as an asset, “Cash held for municipalities” and a corresponding liability, “Member municipalities accounts.” Subsequent to June 30, 2013, the Collaborative closed all of these accounts.

Related Party Transactions

Cash held for municipalities (member districts) is disclosed in Note C. Leases of space from member districts are described in Note B to the financial statements.

Real Property Transactions

Transactions or contracts related to the purchase, sale, rental, or lease of real property are described in Notes A and B to the financial statements.

SEEM COLLABORATIVE  
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

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
7/1/2009	\$0	\$4,302,971	\$4,302,971	0.0%	\$7,685,000	55.99%
7/1/2010	\$0	\$4,998,126	\$4,998,126	0.0%	\$8,754,240	57.09%
7/1/2011	\$0	\$5,551,610	\$5,551,610	0.0%	\$9,017,000	61.57%
7/1/2012	\$444,475	\$5,794,670	\$5,350,195	7.7%	\$10,911,104	49.00%
7/1/2013 (est.)	\$462,254	\$6,772,485	\$6,310,231	6.8%	\$11,238,437	56.15%
7/1/2014 (est.)	\$480,744	\$7,836,828	\$7,356,084	6.1%	\$11,575,590	63.55%



**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  
SEEM Collaborative  
Stoneham, 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 SEEM Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position, revenues and functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SEEM Collaborative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SEEM Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of SEEM 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 SEEM Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of SEEM Collaborative in a separate letter dated November 12, 2013.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Fats DeLuca ccc".

Certified Public Accountants -

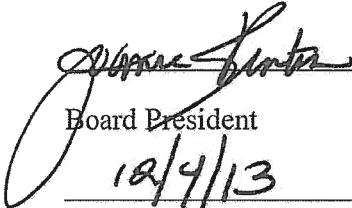
Newburyport, Massachusetts

November 12, 2013

**ACCEPTANCE OF THE BOARD OF DIRECTORS**

We, the Board of Directors of the SEEM 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, 2013.

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, 2013.

  
\_\_\_\_\_  
Board President  
12/4/13  
\_\_\_\_\_

Date