

**SEEM Collaborative**

**Financial Statements  
and Supplementary Information**

**June 30, 2014**

**SEEM Collaborative**

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**June 30, 2014**

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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, 2014, 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, 2014, 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 2013 financial statements, and our report dated November 12, 2013 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, 2013, 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SEEM Collaborative's basic financial statements. The accompanying budgetary comparison information on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison information on page 18 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, 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 13, 2014

## SEEM Collaborative

### Management's Discussion and Analysis

June 30, 2014

Our discussion and analysis of SEEM Collaborative's ("The Collaborative") financial performance provides an overview of the Collaborative's financial activities for the fiscal year ended June 30, 2014 with comparative information from the fiscal years ended June 30, 2013 and 2012. 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 the Collaborative's assets and liabilities, as well as remaining net position, as of the date of the financial statements. The purpose of the Statement of Net Position is to present a fiscal snapshot of the Collaborative to the readers of the financial statements and includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net position and deferred inflows and outflows, if any.

**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. This statement helps users to determine whether the Collaborative had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

**Statement of Revenues and Functional Expenses** – The Statement of Revenues and Functional Expenses identifies revenues and expenses incurred during the year by functional classification and provides additional detail of expenses. This statement helps users to determine what the Collaborative is spending its resources on.

**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. This statement is an important tool in assisting users in assessing the Collaborative's cash flow sources and uses. This statement also assists users in assessing the Collaborative's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

**Notes to the Financial Statements** – The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in the Collaborative's financial statements.

#### FINANCIAL HIGHLIGHTS

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Total Current Assets	\$8,039,676	\$7,992,956	\$7,180,084
Total Non-current Assets	<u>226,874</u>	<u>241,481</u>	<u>143,499</u>
Total Assets	<u>\$8,266,550</u>	<u>\$8,234,437</u>	<u>\$7,323,583</u>
<b>LIABILITIES</b>			
Total Current Liabilities	\$2,857,449	\$3,285,661	\$2,562,266
Total Non-current Liabilities	<u>3,910,683</u>	<u>3,092,146</u>	<u>2,334,043</u>
Total Liabilities	<u>\$6,768,132</u>	<u>\$6,377,807</u>	<u>\$4,896,309</u>
Board designated – unrestricted	\$ 466,100	\$ 444,475	\$ 444,475
Net position – unrestricted	805,444	1,170,674	1,839,300
Invested in capital assets, net of related debt	<u>226,874</u>	<u>241,481</u>	<u>143,499</u>
Total Net Position	<u>\$1,498,418</u>	<u>\$1,856,630</u>	<u>\$2,427,274</u>

SEEM Collaborative's net position decreased by approximately \$358,000 and \$571,000 in fiscal 2014 and 2013, respectively. During fiscal 2014 and 2013, SEEM Collaborative recorded increases in net retirement health benefit obligations required by GASB 45 of \$818,537 and \$758,103, respectively. Changes in net position before these increases were approximately \$460,000 and \$187,000 in fiscal 2014 and 2013, respectively. The surplus in fiscal 2014 was a result of revenues exceeding expenses during the year. The Collaborative closed all accounts held for municipalities in fiscal 2014 and recorded no deferred revenues as of June 30, 2014.

**SEEM Collaborative**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**FINANCIAL HIGHLIGHTS – Continued**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues	\$25,664,870	\$24,463,683	\$22,918,643
Operating Expenses	<u>25,206,988</u>	<u>24,279,070</u>	<u>23,088,695</u>
Change in operating net position	457,882	184,613	(170,052)
Non-operating Revenues	<u>2,443</u>	<u>2,846</u>	<u>5,260</u>
Change in net position, before increase in net retirement health benefit obligation	460,325	187,459	(164,792)
Increase in net retirement health benefit obligation	(818,537)	(758,103)	(536,849)
Total net position – beginning, as adjusted	<u>1,856,630</u>	<u>2,427,274</u>	<u>3,128,915</u>
Total net position – ending	<u>\$ 1,498,418</u>	<u>\$ 1,856,630</u>	<u>\$ 2,427,274</u>

During the years ended June 30, 2014 and 2013, operating revenues increased by approximately \$1,201,000 and \$1,545,000, respectively. The increase in fiscal 2014 revenues was primarily from additional tuition and program services revenues of approximately \$960,000, additional other services revenue of approximately \$50,000, and additional transportation services of approximately \$165,000. 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. During the years ended June 30, 2014 and 2013, operating expenses increased approximately \$928,000 and \$1,190,000 respectively. The increases in expenses for the years ended June 30, 2014 and 2013 were primarily due to increases in personnel and transportation costs that correspond to increases in program and other service revenues.

Non-operating revenue decreased by approximately \$400 and \$2,400 for the years ended June 30, 2014 and 2013, respectively. The decrease in fiscal 2014 and 2013 was primarily due to less average funds held in interest bearing accounts.

**BUDGETARY HIGHLIGHTS**

The Collaborative's annual budget for fiscal 2014 was approved by its Board of Directors. For the fiscal year ended June 30, 2014, the Collaborative received revenues, excluding on-behalf payments by the Massachusetts Teachers' Retirement Board and transportation, of approximately \$17,827,000 compared to budgeted revenues of approximately \$17,097,000. 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, 2014, the Collaborative incurred actual expenditures, excluding on-behalf payments by the Massachusetts Teachers' Retirement Board and transportation, of approximately \$17,600,000 compared to budgeted expenditures of approximately \$17,106,000. 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.

**CAPITAL ASSET AND OBLIGATIONS**

The Collaborative purchased approximately \$56,000 of capital assets for programs during fiscal 2014.

**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, 2014**  
(with summarized financial information as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents - unrestricted	\$ 4,945,359	\$ 4,625,742
Cash and cash equivalents - designated	466,100	444,475
Accounts receivable, net	2,588,288	2,602,299
Prepaid expenses and other assets	39,929	14,400
Cash held for municipalities	<u>-</u>	<u>306,040</u>
<b>Total Current Assets</b>	<u><b>8,039,676</b></u>	<u><b>7,992,956</b></u>
<b>Non-current Assets</b>		
Furniture, equipment and leasehold improvements, net	<u>226,874</u>	<u>241,481</u>
<b>Total Non-current Assets</b>	<u><b>226,874</b></u>	<u><b>241,481</b></u>
<b>Total Assets</b>	<u><b>\$ 8,266,550</b></u>	<u><b>\$ 8,234,437</b></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,857,449	\$ 2,873,063
Deferred revenues	-	106,558
Member municipality accounts	<u>-</u>	<u>306,040</u>
<b>Total Current Liabilities</b>	<u><b>2,857,449</b></u>	<u><b>3,285,661</b></u>
<b>Long Term Liabilities:</b>		
Net retirement health benefit obligation	<u>3,910,683</u>	<u>3,092,146</u>
<b>Total Liabilities</b>	<u><b>6,768,132</b></u>	<u><b>6,377,807</b></u>
<b>Net Position</b>		
Operating-unrestricted	1,271,544	1,615,149
Invested in capital assets, net of related debt	<u>226,874</u>	<u>241,481</u>
<b>Total Net Position</b>	<u><b>1,498,418</b></u>	<u><b>1,856,630</b></u>
<b>Total Liabilities and Net Position</b>	<u><b>\$ 8,266,550</b></u>	<u><b>\$ 8,234,437</b></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, 2014**  
(with summarized financial information for the year ended June 30, 2013)

	<u>2014</u> <u>Total</u>	<u>2013</u> <u>Total</u>
<b>OPERATING REVENUES</b>		
Massachusetts Teachers' Retirement Board	\$ 299,240	\$ 273,968
Services and other program revenues	25,310,630	24,134,715
Member fees	<u>55,000</u>	<u>55,000</u>
<b>Total Operating Revenues</b>	<u>25,664,870</u>	<u>24,463,683</u>
<b>OPERATING EXPENSES</b>		
Program	24,027,271	22,999,625
Administrative	<u>1,179,717</u>	<u>1,279,445</u>
<b>Total Operating Expenses</b>	<u>25,206,988</u>	<u>24,279,070</u>
<b>Change in Operating Net Position</b>	<u>457,882</u>	<u>184,613</u>
<b>NON-OPERATING REVENUES</b>		
Interest	<u>2,443</u>	<u>2,846</u>
<b>Total Non-operating Revenues</b>	<u>2,443</u>	<u>2,846</u>
<b>Change in Net Position, before increase in net retirement health benefit obligation</b>	460,325	187,459
<b>Increase in net retirement health benefit obligation</b>	<u>(818,537)</u>	<u>(758,103)</u>
<b>Change in Net Position</b>	(358,212)	(570,644)
<b>Net Position – Beginning of Year</b>	<u>1,856,630</u>	<u>2,427,274</u>
<b>Net Position – End of Year</b>	<u>\$ 1,498,418</u>	<u>\$ 1,856,630</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, 2014**  
(with summarized financial information for the year ended June 30, 2013)

	SEEM Programs	Trans- portation	Other Services	Admin- istrative	2014 Total	2013 Total
<b>Revenues</b>						
Services and other program revenues	\$ 16,974,307	\$ 7,541,124	\$ 795,199	\$ -	\$ 25,310,630	\$ 24,134,715
Membership fees	-	-	-	55,000	55,000	55,000
Mass. Teachers' Retirement	299,240	-	-	-	299,240	273,968
Interest	-	-	-	2,443	2,443	2,846
	<u>\$ 17,273,547</u>	<u>\$ 7,541,124</u>	<u>\$ 795,199</u>	<u>\$ 57,443</u>	<u>\$ 25,667,313</u>	<u>\$ 24,466,529</u>
<b>Expenses</b>						
Payroll and related benefits	\$ 13,583,570	\$ -	\$ 769,160	\$ 881,979	\$ 15,234,709	\$ 14,407,684
Professional services	110,737	-	7,125	74,356	192,218	242,575
Rent and utilities	1,053,208	-	19,916	88,429	1,161,553	1,114,090
Maintenance	321,915	-	-	23	321,938	257,504
Supplies	360,779	-	12,450	28,572	401,801	523,988
Insurance	74,630	-	4,334	54,991	133,955	126,781
Transportation	-	7,307,402	-	-	7,307,402	7,159,633
Food service	108,190	-	-	-	108,190	120,140
Travel, field trips, and conferences	90,447	-	20,890	4,808	116,145	119,576
Telephone and internet	24,079	-	4,848	24,049	52,976	42,629
Training	27,096	-	41,361	6,102	74,559	71,539
Miscellaneous	16,251	-	175	14,738	31,164	35,253
Depreciation	68,708	-	-	1,670	70,378	57,678
	<u>\$ 15,839,610</u>	<u>\$ 7,307,402</u>	<u>\$ 880,259</u>	<u>\$ 1,179,717</u>	<u>\$ 25,206,988</u>	<u>\$ 24,279,070</u>

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

**SEEM Collaborative**  
**Statement of Cash Flows**  
For the year ended June 30, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from members and others	\$ 25,273,083
Payments to suppliers and others	(12,183,794)
Payments to employees	<u>(12,694,719)</u>
Cash provided by operating activities	<u>394,570</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipts from interest	2,443
Purchase of capital assets	<u>(55,771)</u>
Cash used in investing activities	<u>(53,328)</u>
Net increase in cash and cash equivalents	341,242
Cash and cash equivalents at beginning of year	<u>5,070,217</u>
Cash and cash equivalents at end of year	<u>\$ 5,411,459</u>
<b>Supplemental Data:</b>	
Interest paid	<u>\$ -</u>
Taxes paid	<u>\$ -</u>
<b>Reconciliation of change in operating net position to net cash provided by operating activities:</b>	
Operating Activities	
Change in operating net position	\$ 457,882
Adjustments to reconcile change in operating net position to net cash provided by operating activities:	
Depreciation	70,378
Change in working capital	
Accounts receivable	14,011
Prepaid expenses and other assets	(25,529)
Accounts payable and other liabilities	(15,614)
Deferred revenues	<u>(106,558)</u>
Cash provided by operating activities	<u>\$ 394,570</u>

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

**SEEM Collaborative**  
**Notes to Financial Statements**  
**June 30, 2014**

**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, 2013, 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, 2014.

**Measurement Focus and Basis of Accounting**

These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

**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.

**Revenues and Expenses**

Revenues consist primarily of billings to member municipalities or other cities and towns for providing programs and services. Expenses include educational costs, administrative expenses and depreciation on capital assets.

**SEEM Collaborative**  
Notes to Financial Statements  
June 30, 2014

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

Accounts Receivable

Accounts receivable consist of tuition and other services billed but not received as of June 30, 2014. At June 30, 2014, accounts receivable consisted of:

Services – SEEM programs	\$ 1,268,561
Services - transportation	<u>1,319,727</u>
	<u>\$ 2,588,288</u>

Deferred Revenue

Revenue is recognized when earned, however funds received that are not earned as of year-end are recorded as deferred revenue in the financial statements.

Member Municipality 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. The Collaborative closed all accounts held for municipalities in fiscal 2014.

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>2014</u>	<u>2013</u>
Office furniture and equipment	\$ 242,637	\$ 241,995
Vehicles	182,310	127,181
Leasehold improvements	<u>396,161</u>	<u>396,161</u>
	821,108	765,337
Accumulated depreciation	<u>(594,234)</u>	<u>(523,856)</u>
Property and equipment, net	<u>\$ 226,874</u>	<u>\$ 241,481</u>

Depreciation expense for the year ended June 30, 2014 was \$70,378.

Net Position

Net position is displayed in three components:

- 1) Invested in Capital Assets – This account consists of capital assets, including restricted capital assets, net of accumulated depreciation that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted – This account consists of assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- 3) Unrestricted – All other net assets that do not meet the definition of “invested in capital assets” or “restricted”. Revenues are reported as increases in unrestricted unless use of the related assets is limited by donor-imposed restrictions and/or time restrictions. Revenues are reported as unrestricted if the donor-imposed restrictions are met in the same reporting period. Expenses are reported as decreases in unrestricted.

**SEEM Collaborative**  
**Notes to Financial Statements**  
**June 30, 2014**

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

**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.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Subsequent Events**

Subsequent events have been evaluated through November 13, 2014, 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.

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

<u>Year Ending June 30</u>	
2015	\$ 873,584
2016	115,849
2017	86,289
2018	86,289
2019	<u>43,145</u>
	<u>\$1,205,156</u>

Leases with member districts include:

- Town of Wakefield, School Facility – Yeuell School, 7/1/13-6/30/14, renewed for 1 additional year as of 7/1/14.
- Town of Stoneham, School Facility – Central School, 7/1/11-6/30/15.
- Town of Melrose, School Facilities – Ripley School and Beebe School, 8/1/11-7/31/15.
- Town of North Reading, Classroom Space – North Reading Middle, 9/1/13-7/31/14, renewed for 1 additional year as of 7/1/14.

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

**SEEM Collaborative**  
Notes to Financial Statements  
June 30, 2014

**NOTE B – LEASE OBLIGATIONS – (continued)**

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, 2014.

<u>Year Ending June 30</u>	
2015	\$ 41,082
2016	41,082
2017	27,388
2018 & thereafter	<u>-</u>
	<u>\$109,552</u>

**NOTE C – 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.

**NOTE D – EMPLOYEES' RETIREMENT PLANS**

The Collaborative's employees participate in the Massachusetts Teachers' or State Retirement Plan, statewide multiple-employer public employee retirement systems 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 2014, the Massachusetts Teachers' Retirement Board contributed \$299,240 in pension benefits on behalf of teachers in the Collaborative, which have been recognized in these financial statements in accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance."

**NOTE E – 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."

**SEEM Collaborative**  
**Notes to Financial Statements**  
June 30, 2014

**NOTE E – RETIREMENT HEALTH BENEFITS (continued)**

**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 2014 fiscal year, total expected Collaborative premiums plus implicit costs for the retiree medical program are \$126,673.

**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)	\$864,060
Interest on net OPEB obligation (estimated)	123,686
Adjustment to annual required contribution (estimated)	(171,941)
Amortization of Actuarial (Gains)/Losses	129,405
Annual OPEB cost (expense)	945,210
Contributions Made (expected)	126,673
Increase in net OPEB obligation	818,537
Net OPEB Obligation-beginning of year	3,092,146
Net OPEB Obligation-end of year	\$3,910,683

The Collaborative’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014 fiscal year and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Expected Employer Payments	Net OPEB Obligation
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

**SEEM Collaborative**  
Notes to Financial Statements  
June 30, 2014

**NOTE E – RETIREMENT HEALTH BENEFITS (continued)**

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, 2014 was \$6,772,485, and the estimated actuarial value of assets was \$462,254, resulting in an estimated unfunded actuarial accrued liability (UAAL) of \$6,310,231. The estimated covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2014 was \$11,238,437, and the ratio of the UAAL to the covered payroll was 56.15%.

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

Effect of 1% Change in Healthcare Trend Rates

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability 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:  
Investment Rate of Return:  
Healthcare Trend Rates:

Projected Unit Credit  
4.00% per annum

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%



**SEEM Collaborative**  
Notes to Financial Statements  
June 30, 2014

**NOTE E – RETIREMENT HEALTH BENEFITS** *(continued)*

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.

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 Statement No. 45. The Collaborative has not established an irrevocable trust for the purposes of prefunding liabilities under GASB Statement No. 45.

**NOTE F – BOARD DESIGNATED FUNDS**

As of June 30, 2014, the Board of Directors of the Collaborative has designated \$466,100 for retiree health benefits described in Note E.

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

The five highest paid employees of the Collaborative during fiscal 2014 were as follows:

Name	Title	Fiscal 2014 Salary
Catherine Lawson	Executive Director	\$143,273
Gregory Zammuto	Director of Finance and Operations	\$115,054
Ryan Snyder	Supervisor of Behavioral Services	\$102,082
Margery Lerner	Applied Behavior Analyst	\$ 99,935
David Farwell	Program Director	\$ 96,790
Jennifer Thornton	Principal	\$ 96,790

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

**SEEM Collaborative**  
Notes to Financial Statements  
June 30, 2014

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

The duties of the individuals listed above include:

**Executive Director** - The executive director is the professional leader of the Collaborative and as such shall be responsible for all matters of decision and administration which come within the scope as executive officer.

**Director of Finance and Operations** - Ensures the Collaborative's overall financial integrity, stability and best practices in all financial management operations.

**Supervisor of Behavioral Services** - Provide leadership, supervision and oversight of the consultative BCBA department and the Program based BCBA staff

**Applied Behavior Analyst** - Provide services for students who present with a wide range of intellectual and emotional disabilities as part of the consultative BCBA department.

**Program Principal/Director** - Assumes full administrative responsibilities for the operation, maintenance, and climate of their school or program.

**Over 21 Program**

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

**Administrative Costs**

Total administrative costs incurred by the Collaborative totaled \$1,179,717 for the year ended June 30, 2014. 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 (i.e., Executive Director, finance staff, human resources, etc.), as well as other costs associated with maintaining that office (i.e. 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.

**Accounts Held on Behalf of Others**

During fiscal 2014, the Collaborative returned or used all balances held for member municipalities. As of June 30, 2014, the Collaborative does not hold any accounts on behalf of others.

**Related Party Transactions**

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, 2014**

**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%

See independent auditor's report.

**SEEM Collaborative**  
**Statement of Revenues and Expenses**  
**Budget and Actual**  
**For the year ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues and Other Support:</b>			
Services and other program revenues - SEEM Programs	\$ 17,036,725	\$ 17,769,506	\$ 732,781
Services and other program revenues -Transportation	6,900,000	7,541,124	641,124
Member fees	55,000	55,000	-
Interest	5,000	2,443	(2,557)
Massachusetts Teachers' Retirement Board	-	299,240	299,240
	<u>23,996,725</u>	<u>25,667,313</u>	<u>1,670,588</u>
<b>Expenses:</b>			
Payroll and related expenses	14,730,441	14,935,469	(205,028)
Administration	394,382	297,738	96,644
Transportation	6,690,000	7,307,402	(617,402)
All other expenses	1,981,263	2,367,139	(385,876)
Increase in net retirement health benefit obligation	-	818,537	(818,537)
Massachusetts Teachers' Retirement Board	-	299,240	(299,240)
	<u>23,796,086</u>	<u>26,025,525</u>	<u>(2,229,439)</u>
<b>Excess (deficit) of revenue over expenses</b>	<u><u>\$ 200,639</u></u>	<u><u>\$ (358,212)</u></u>	<u><u>\$ (558,851)</u></u>

See independent auditor's report.



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

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

To the Board of Directors of  
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, 2014, 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 13, 2014.

**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*.

**Purpose of this Report**

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

*Fritz D'Amico LLC*

Certified Public Accountants

Newburyport, Massachusetts

November 13, 2014

# SEEM

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November 13, 2014

Fritz DeGuglielmo LLC  
8 Essex Street  
Newburyport, Massachusetts 01950

This representation letter is provided in connection with your audit of the financial statements of SEEM Collaborative, which comprise the statement of net position as of June 30, 2014, 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, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 13, 2014, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 26, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of

noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Collaborative is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

11) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

#### **Government—Specific**

19) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.

20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

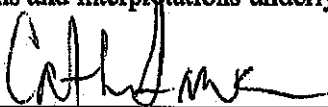


- 22) The Collaborative has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 29) The Collaborative has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The Collaborative has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

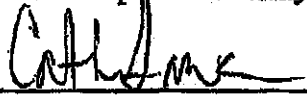
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- 33) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 34) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 43) We have appropriately disclosed the SEEM Collaborative's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature:  Signature: \_\_\_\_\_  
Title: Executive Director Title: \_\_\_\_\_

- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 43) We have appropriately disclosed the SEEM Collaborative's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature:   
Title: Executive Director

Signature:   
Title: Chairman, Board of Directors

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## 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, 2014.

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, 2014.

  
\_\_\_\_\_  
Board President

12/5/14  
\_\_\_\_\_  
Date