

SEEM

COLLABORATIVE

Creating Successful Futures...

92 Montvale Avenue, Suite 3500, Stoneham, MA 02180 ~ p. 781-279-1361 ~ f. 781-279-0292 www.seemcollaborative.org

November 16, 2015

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, 2015, 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 an opinion 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 16, 2015, 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 September 1, 2015, 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, including those measured at fair value, 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) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 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.
- 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) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) 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.
- 21) The Collaborative has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) 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.
- 23) 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.

- 24) 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.
- 25) 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.
- 26) 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.
- 27) 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.
- 28) 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.
- 29) 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.
- 30) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 31) 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.
- 32) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 33) 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.
- 34) 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.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) 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.
- 38) 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.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) 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.
- 43) 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.

44) 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: Director of Finance and Operations



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

September 1, 2015

To the Board of Directors and Management of

SEEM Collaborative
92 Montvale Avenue, Suite 3500
Stoneham, Massachusetts 02180

We are pleased to confirm our understanding of the services we are to provide SEEM Collaborative for the year ended June 30, 2015. We will audit the financial statements of the business-type activities, including the related notes to the financial statements, which collectively comprise the basic financial statements, of SEEM Collaborative as of and for the year ended June 30, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement SEEM Collaborative's 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. As part of our engagement, we will apply certain limited procedures to SEEM Collaborative's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Schedule of Funding Progress – Other Post-Employment Healthcare Benefits

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that the purpose of the report is solely to (1) describe the scope of 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, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the

Comptroller General of the United States, and will include tests of accounting records, and other procedures we consider necessary to enable us to express such an opinion. We will issue written reports upon completion of our audit. Our reports will be addressed to the Board of Directors of SEEM Collaborative. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report, or may withdraw from this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. In addition, we will assist with preparation of your financial statements and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; and (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provision of laws, regulations, contracts, and grant agreements, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance

Internal control related matters that are required to be communicated under AICPA professional standards and Government Auditing Standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of SEEM Collaborative's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to SEEM Collaborative; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Fritz DeGuglielmo LLC and constitutes confidential information. The audit documentation for this engagement will be retained for a minimum of five years after the report release date.

We expect to begin our audit on approximately September 1, 2015 and to issue our reports no later than November 15, 2015. Stephen DeGuglielmo is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

We will bill our fees at our standard hourly rates.

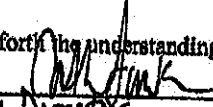
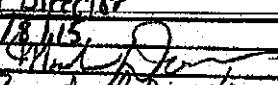
We appreciate the opportunity to be of service to SEEM Collaborative and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,


Fritz DeGuglielmo LLC

RESPONSE:

This letter correctly sets forth the understanding of SEEM Collaborative

Management signature: 
Title: Executive Director
Date: 9/8/15
Governance signature: 
Title: Chairman - Board of Directors
Date: 9/8/15

SEEM Collaborative

**Financial Statements
and Supplementary Information**

June 30, 2015

SEEM Collaborative

Contents

June 30, 2015

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-5
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Revenues and Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10-20
Schedule of Funding Progress – Other Postemployment Benefits	21
Statement of Revenues and Expenses – Budget and Actual	22
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 <i>Government Auditing Standards</i>	23-24



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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 Postemployment Benefits on pages 3–5 and 21 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 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison information on page 22 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 16, 2015, 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.

Fritz D'Agostino c.c.

Certified Public Accountants

Newburyport, Massachusetts

November 16, 2015

SEEM Collaborative

Management's Discussion and Analysis

June 30, 2015

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, 2015 with comparative information from the fiscal years ended June 30, 2014 and 2013. Please read it in conjunction with the financial statements that begin on page 6.

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>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Total Current Assets	\$10,007,165	\$8,039,676	\$7,992,956
Total Non-current Assets	<u>178,778</u>	<u>226,874</u>	<u>241,481</u>
Total Assets	<u>\$10,185,943</u>	<u>\$8,266,550</u>	<u>\$8,234,437</u>
LIABILITIES			
Total Current Liabilities	\$ 4,263,039	\$2,857,449	\$3,285,661
Total Non-current Liabilities	<u>4,832,309</u>	<u>3,910,683</u>	<u>3,092,146</u>
Total Liabilities	<u>\$ 9,095,348</u>	<u>\$6,768,132</u>	<u>\$6,377,807</u>
NET POSITION			
Board designated – unrestricted	\$ 518,026	\$ 466,100	\$ 444,475
Net position – unrestricted	344,604	805,444	1,170,674
Net position – restricted	49,187	-	-
Invested in capital assets, net of related debt	<u>178,778</u>	<u>226,874</u>	<u>241,481</u>
Total Net Position	<u>\$ 1,090,595</u>	<u>\$1,498,418</u>	<u>\$1,856,630</u>

SEEM Collaborative

Management's Discussion and Analysis

June 30, 2015

FINANCIAL HIGHLIGHTS – *Continued*

SEEM Collaborative's net position decreased by approximately \$408,000 and \$358,000 in fiscal 2015 and 2014, respectively. During fiscal 2015 and 2014, SEEM Collaborative recorded increases in net retirement health benefit obligations required by GASB Statement No. 45 of \$921,626 and \$818,537, respectively. Changes in net position before these increases were approximately \$514,000 and \$460,000 in fiscal 2015 and 2014, respectively. The surplus in fiscal 2015 was a result of revenues exceeding expenses during the year. The Collaborative recorded deferred revenues in the amount of \$49,187 as of June 30, 2015.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues*	\$26,949,820	\$25,365,630	\$24,189,715
Program Operating Expenses*	25,121,645	1,179,717	1,279,445
Administrative Operating Expenses*	<u>1,316,181</u>	<u>23,728,031</u>	<u>22,725,657</u>
Total Operating Expenses*	<u>26,437,826</u>	<u>24,907,748</u>	<u>24,005,102</u>
Change in operating net position	511,994	457,882	184,613
Non-operating Revenues	<u>1,809</u>	<u>2,443</u>	<u>2,846</u>
Change in net position, before increase in net retirement health benefit obligation	513,803	460,325	187,459
Increase in net retirement health benefit obligation	(921,626)	(818,537)	(758,103)
Total net position – beginning	<u>1,498,418</u>	<u>1,856,630</u>	<u>2,427,274</u>
Total net position – ending	<u>\$ 1,090,595</u>	<u>\$ 1,498,418</u>	<u>\$ 1,856,630</u>

* Excludes Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments.

During the years ended June 30, 2015 and 2014, operating revenues, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, increased by approximately \$1,584,000 and \$1,176,000, respectively. The increase in fiscal 2015 revenues was primarily from additional tuition and program services revenues of approximately \$770,000, additional other services revenue of approximately \$224,000, and additional transportation services of approximately \$518,000. 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. During the years ended June 30, 2015 and 2014, operating expenses, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, increased approximately \$1,530,000 and \$903,000 respectively. The increases in expenses for the years ended June 30, 2015 and 2014 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 \$630 and \$400 for the years ended June 30, 2015 and 2014, respectively. The decrease in fiscal 2015 and 2014 was primarily due to less average funds held in interest bearing accounts.

BUDGETARY HIGHLIGHTS

The Collaborative's annual budget for fiscal 2015 was approved by its Board of Directors. For the fiscal year ended June 30, 2015, the Collaborative received revenues, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments and transportation, of approximately \$18,893,000 compared to budgeted revenues of approximately \$17,930,000. The difference between actual revenues received and budgeted revenues is primarily due to significantly higher than expected student enrollments and increased tuitions and fees.

SEEM Collaborative

Management's Discussion and Analysis

June 30, 2015

BUDGETARY HIGHLIGHTS – *Continued*

For the fiscal year ended June 30, 2015, the Collaborative incurred actual expenditures, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments and transportation, of approximately \$18,624,000 compared to budgeted expenditures of approximately \$18,109,000. The difference between actual expenditures incurred and budgeted expenditures is primarily due to higher than expected supplies, maintenance, and professional services costs.

CAPITAL ASSET AND OBLIGATIONS

The Collaborative purchased approximately \$23,000 of capital assets for programs during fiscal 2015.

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, 2015
(with summarized financial information as of June 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 6,881,370	\$ 4,945,359
Cash and cash equivalents - designated	518,026	466,100
Accounts receivable, net	2,557,146	2,588,288
Prepaid expenses and other assets	<u>50,623</u>	<u>39,929</u>
Total Current Assets	<u>10,007,165</u>	<u>8,039,676</u>
Non-current Assets		
Furniture, equipment and leasehold improvements, net	<u>178,778</u>	<u>226,874</u>
Total Non-current Assets	<u>178,778</u>	<u>226,874</u>
Total Assets	<u>\$ 10,185,943</u>	<u>\$ 8,266,550</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,216,949	\$ 2,857,449
Deferred revenues	<u>46,090</u>	<u>-</u>
Total Current Liabilities	<u>4,263,039</u>	<u>2,857,449</u>
Long Term Liabilities:		
Net retirement health benefit obligation	<u>4,832,309</u>	<u>3,910,683</u>
Total Liabilities	<u>9,095,348</u>	<u>6,768,132</u>
Net Position		
Unrestricted	862,630	1,271,544
Restricted - grants and contributions	49,187	-
Invested in capital assets, net of related debt	<u>178,778</u>	<u>226,874</u>
Total Net Position	<u>1,090,595</u>	<u>1,498,418</u>
Total Liabilities and Net Position	<u>\$ 10,185,943</u>	<u>\$ 8,266,550</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, 2015
(with summarized financial information for the year ended June 30, 2014)

	2015			2014
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Total</u>
OPERATING REVENUES				
Retirement systems' on-behalf payments	\$ 1,660,949	\$ -	\$ 1,660,949	\$ 299,240
Services and other program revenues	26,775,267	-	26,775,267	25,235,432
Member fees	55,000	-	55,000	55,000
Contributions and other	70,366	49,187	119,553	75,198
Total Operating Revenues	<u>28,561,582</u>	<u>49,187</u>	<u>28,610,769</u>	<u>25,664,870</u>
OPERATING EXPENSES				
Program	26,742,174	-	26,742,174	24,027,271
Administrative	1,356,601	-	1,356,601	1,179,717
Total Operating Expenses	<u>28,098,775</u>	<u>-</u>	<u>28,098,775</u>	<u>25,206,988</u>
Change in Operating Net Position	<u>462,807</u>	<u>49,187</u>	<u>511,994</u>	<u>457,882</u>
NON-OPERATING REVENUES				
Interest	1,809	-	1,809	2,443
Total Non-operating Revenues	<u>1,809</u>	<u>-</u>	<u>1,809</u>	<u>2,443</u>
Change in Net Position, before increase in net retirement health benefit obligation	464,616	49,187	513,803	460,325
Increase in net retirement health benefit obligation	<u>(921,626)</u>	<u>-</u>	<u>(921,626)</u>	<u>(818,537)</u>
Change in Net Position	(457,010)	49,187	(407,823)	(358,212)
Net Position – Beginning of Year	<u>1,498,418</u>	<u>-</u>	<u>1,498,418</u>	<u>1,856,630</u>
Net Position – End of Year	<u>\$ 1,041,408</u>	<u>\$ 49,187</u>	<u>\$ 1,090,595</u>	<u>\$ 1,498,418</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, 2015
(with summarized financial information for the year ended June 30, 2014)

	SEEM Programs	Trans- portation	Other Services	Admin- istrative	2015 Total	2014 Total
Revenues						
Retirement systems' on- behalf payments	\$ 1,632,564	\$ -	\$ -	\$ 28,385	\$ 1,660,949	\$ 299,240
Services and other program revenues	17,697,148	8,058,997	1,019,122	-	26,775,267	25,235,432
Membership fees	-	-	-	55,000	55,000	55,000
Contributions and other	47,386	-	-	72,167	119,553	75,198
Interest	-	-	-	1,809	1,809	2,443
	<u>\$19,377,098</u>	<u>\$ 8,058,997</u>	<u>\$ 1,019,122</u>	<u>\$ 157,361</u>	<u>\$28,612,578</u>	<u>\$25,667,313</u>
Expenses						
Payroll and related benefits	\$15,325,973	\$ -	\$ 929,241	\$ 992,465	\$17,247,679	\$15,234,709
Professional services	166,528	-	74,533	127,234	368,295	206,718
Rent and utilities	1,040,246	-	18,033	91,173	1,149,452	1,161,553
Maintenance	380,340	-	-	-	380,340	321,938
Supplies	515,058	-	107,473	34,332	656,863	495,431
Insurance	64,715	-	9,476	71,049	145,240	133,955
Transportation	-	7,814,010	-	-	7,814,010	7,307,402
Travel, field trips, and conferences	114,819	-	17,277	3,701	135,797	116,145
Telephone and internet	22,892	-	7,014	8,469	38,375	52,976
Training	25,236	-	4,989	7,854	38,079	74,619
Miscellaneous	35,753	-	1,135	16,984	53,872	31,164
Depreciation	67,433	-	-	3,340	70,773	70,378
	<u>\$17,758,993</u>	<u>\$ 7,814,010</u>	<u>\$ 1,169,171</u>	<u>\$ 1,356,601</u>	<u>\$28,098,775</u>	<u>\$25,206,988</u>

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

SEEM Collaborative
Statement of Cash Flows
For the year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from members and others	\$ 27,027,052
Payments to suppliers and others	(11,759,501)
Payments to employees	<u>(13,258,746)</u>
Cash provided by operating activities	<u>2,008,805</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts from interest	1,809
Purchase of capital assets	<u>(22,677)</u>
Cash used in investing activities	<u>(20,868)</u>

Net increase in cash and cash equivalents	1,987,937
Cash and cash equivalents at beginning of year	<u>5,411,459</u>
Cash and cash equivalents at end of year	<u>\$ 7,399,396</u>

Supplemental Data:

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

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

Operating Activities	
Change in operating net position	\$ 511,994
Adjustments to reconcile change in operating net position to net cash provided by operating activities:	
Depreciation	70,773
Change in working capital	
Accounts receivable	31,142
Prepaid expenses and other assets	(10,694)
Accounts payable and accrued liabilities	1,359,500
Deferred revenues	<u>46,090</u>
Cash provided by operating activities	<u>\$ 2,008,805</u>

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

SEEM Collaborative

Notes to Financial Statements

June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

SEEM Collaborative (“the 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), when applicable, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Collaborative are discussed below.

The Collaborative, in accordance with GASB Statement No. 34, is considered a special purpose governmental entity engaged only in business type activities and is not a component unit of another governmental entity. 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 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, 2014, 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, 2015.

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 and 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.

Operating Revenues and Expenses

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

SEEM Collaborative

Notes to Financial Statements

June 30, 2015

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, 2015. At June 30, 2015, accounts receivable consisted of:

Services – SEEM programs	\$ 1,254,176
Services - transportation	<u>1,302,970</u>
	<u>\$ 2,557,146</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.

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>2015</u>	<u>2014</u>
Office furniture and equipment	\$ 265,314	\$ 242,637
Vehicles	182,310	182,310
Leasehold improvements	<u>396,161</u>	<u>396,161</u>
	843,785	821,108
Accumulated depreciation	<u>(665,007)</u>	<u>(594,234)</u>
Property and equipment, net	<u>\$ 178,778</u>	<u>\$ 226,874</u>

Depreciation expense for the year ended June 30, 2015 was \$70,773.

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 – This account consists of 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, 2015

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 16, 2015, 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 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>
2016	\$ 885,258
2017	118,032
2018	88,472
2019	<u>44,236</u>
	<u>\$1,135,998</u>

Leases with member districts include:

- Town of Wakefield, School Facility – Yeuell School, 7/1/14-6/30/15, renewed for 1 additional year as of 7/1/15.
- Town of Stoneham, School Facility – Central School, 7/1/11-6/30/16.
- Town of Melrose, School Facilities – Ripley School and Beebe School, 8/1/11-7/31/15, renewed for 1 additional year as of 7/1/15.
- Town of North Reading, Classroom Space – North Reading Middle, 9/1/13-8/31/15, renewed for 1 additional year as of 7/1/15.

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, 2015

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, 2015.

	<u>Year Ending June 30</u>
2016	\$ 59,352
2017	59,352
2018 & thereafter	<u>24,730</u>
	<u>\$143,434</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 – MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEMS

Plan Descriptions:

The Collaborative's employees participate in the Massachusetts Teachers' (MTRS) or State Employees' Retirement System (MSERS), statewide cost-sharing multi-employer defined benefit plans public employee retirement systems (PERS) covering all employees of local school districts within the Commonwealth of Massachusetts. The retirement systems issue publicly available annual reports that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

Benefits Provided:

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

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

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

SEEM Collaborative

Notes to Financial Statements

June 30, 2015

NOTE D – MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREE SYSTEMS
(continued)

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

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

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

Contributions:

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975.....	5% of regular compensation
1975 - 1983.....	7% of regular compensation
1984 to 6/30/1996.....	8% of regular compensation
7/1/1996 to present.....	9% of regular compensation
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

Educational collaboratives contribute amounts equal to the normal cost of employees’ benefits participating in MSERS at a rate established by the Public Employees’ Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees’ benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. During fiscal year 2015, the Collaborative’s contributions on behalf of employees totaled \$303,508.

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

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

SEEM Collaborative

Notes to Financial Statements

June 30, 2015

NOTE D – MASSACHUSETTS TEACHERS' AND STATE EMPLOYEES' RETIREE SYSTEMS (continued)

The Commonwealth is a nonemployer contributor in MTRS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity under both MSERS and MTRS. Since the employers do not contribute directly to each system beyond the MSERS annual normal cost, there is no net pension liability to recognize. However, the notes to the financial statements must disclose the portion of the nonemployer contributing entities' share of the collective net pension liability that is associated with the employer. In addition, the Collaborative must recognize its portion of the collective pension expense as both a revenue and pension expense.

The nonemployer contributing entities' share of the collective net pension liability that is associated with the Collaborative was measured as of June 30, 2014 and was \$7,038,602 and \$16,702,908 under MSERS and MTRS, respectively. In fiscal 2015, the Collaborative recognized revenue and related expense of \$500,518 for its portion of the collective pension expense under MSERS. In fiscal 2015, the Collaborative recognized revenue and related expense of \$1,160,431, for its portion of the collective pension expense under MTRS.

The Collaborative implemented the requirements of GASB Statement No. 68 in fiscal 2015. Prior year financial statements were not adjusted for revenues or expenses applicable to those years as calculated under GASB Statement No. 68 since the information was not available. However, the overall net position of the Collaborative would not have been adjusted in prior years had an adjustment been made.

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."

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 2015 fiscal year, total expected Collaborative premiums plus implicit costs for the retiree medical program are \$112,789.

SEEM Collaborative

Notes to Financial Statements

June 30, 2015

NOTE E – 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	\$ 953,692
Interest on net OPEB obligation	156,427
Adjustment to annual required contribution	(217,457)
Amortization of Actuarial (Gains)/Losses	<u>193,305</u>
Annual OPEB cost (expense)	1,085,967
Contributions Made (expected)	<u>164,341</u>
Increase in net OPEB obligation	921,626
Net OPEB Obligation-beginning of year	<u>3,910,683</u>
Net OPEB Obligation-end of year	<u>\$4,832,309</u>

The Collaborative’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Expected Employer Payments	Net OPEB Obligation
6/30/13	\$863,977	\$105,874	\$758,103
6/30/14	\$945,210	\$126,673	\$818,537
6/30/15	\$1,085,967	\$164,341	\$921,626
6/30/16 (est.)	\$1,228,349	\$116,940	\$1,111,409
6/30/17 (est.)	\$1,363,697	\$141,630	\$1,222,067

Funding Status and Funding Progress

As of July 1, 2014, the most recent valuation date, the plan was 6.44% funded. The actuarial liability for benefits as of June 30, 2015 was \$7,235,436, and the actuarial value of assets was \$466,060, resulting in an estimated unfunded actuarial accrued liability (UAAL) of \$6,769,376. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was \$12,127,698, and the ratio of the UAAL to the covered payroll was 55.8%.

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, 2015

NOTE E – 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 would increase to \$9,881,512 or by 36.6% and the corresponding Normal Cost would increase to \$1,177,799 or by 57.9%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$5,188,919 or by 28.3% and the corresponding Normal Cost would decrease to \$500,448 or by 32.9%.

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: Level dollar amortization over 30 years at the last valuation
Remaining Amortization Period: 24 years at July 1, 2014

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, 2015

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

Remaining Amortization Bases

The initial Actuarial Accrued Liability as of the date GASB Statement No. 45 was adopted is amortized as a component of the Annual Required Contribution (“ARC”). The Unfunded Actuarial Accrued Liability at transition was amortized over a 30 year period and a flat dollar amortization of the Unfunded Actuarial Accrued Liability at transition. For years subsequent to the initial adoption of GASB Statement No. 45, cumulative gains/losses are amortized on a level dollar basis over a 30 year period. Gains and losses arise from experience and contribution deficiencies and excess contributions in relation to each year’s ARC under GASB Statement No. 45.

As described in Note F, the Board of Directors has designated \$518,026 as of June 30, 2015, for future retiree health benefits.

Impact of Patient Protection and Affordable Care Act (“PPACA”) Excise Tax

Under the Patient Protection and Affordable Care Act (“PPACA”), an excise tax will be imposed for tax years beginning after December 31, 2017 for high cost employer sponsored health coverage. The law specified a 40% excise tax to be paid by the provider of such coverage of the excess value beyond a basic dollar amount plus an additional “kicker” for qualified retirees or those engaged in a high risk profession. The basic dollar amount for 2018 is \$10,200 for single coverage and \$27,500 for family coverage and the “kicker” amount for 2018 is \$1,650 for single coverage and \$3,450 for family coverage.

The excise tax liability will vary significantly over time as it is highly leveraged with the basic amount increased with general CPI and medical costs increasing with medical trend (generally higher). For purposes of the fiscal year ending June 30, 2015, the APBO for the excise tax is \$991 and the increase in annual OPEB Cost is \$425. As more regulatory guidance becomes available, the calculation of the excise tax liability will evolve.

NOTE F – BOARD DESIGNATED FUNDS

As of June 30, 2015, the Board of Directors of the Collaborative has designated \$518,026 for retiree health benefits described in Note E.

SEEM Collaborative
Notes to Financial Statements
June 30, 2015

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

The five highest paid employees of the Collaborative during fiscal 2015 were as follows:

Name	Title	Fiscal 2015 Salary
Catherine Lawson	Executive Director	\$148,071
Gregory Zammuto	Director of Finance and Operations	\$120,813
Ryan Snyder	Supervisor of Behavioral Services	\$103,892
Margery Lerner	Applied Behavior Analyst	\$101,751
David Farwell	Program Director	\$ 98,718
Jennifer Thornton	Principal	\$ 98,718

The first four employees listed above were employed by the Collaborative under 12 month contracts and the last two employees listed above were employed by the Collaborative under 11 month contracts.

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 - Provides leadership, supervision and oversight of the consultative BCBA department and the Program based BCBA staff

Applied Behavior Analyst - Provides 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 \$1,356,601 for the year ended June 30, 2015. 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.

SEEM Collaborative

Notes to Financial Statements

June 30, 2015

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

Accounts Held on Behalf of Others

As of June 30, 2015, 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, 2015

Schedule of Funding Progress - Other Postemployment 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
7/1/2011	\$0	\$5,551,610	\$5,551,610	0.0%	\$9,017,000	61.6%
7/1/2012	\$444,475	\$5,794,670	\$5,350,195	7.7%	\$10,911,104	53.1%
7/1/2013	\$462,254	\$6,772,485	\$6,310,231	6.8%	\$11,238,437	60.3%
7/1/2014	\$466,060	\$7,235,436	\$6,769,376	6.4%	\$12,127,698	55.8%
7/1/2015 (est.)	\$536,254	\$8,322,182	\$7,785,928	6.4%	\$12,491,529	62.3%
7/1/2016 (est.)	\$557,704	\$9,556,357	\$8,998,532	5.8%	\$12,866,275	69.9%

See independent auditor's report.

SEEM Collaborative
Statement of Revenues and Expenses
Budget and Actual
For the year ended June 30, 2015

	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues and Other Support:			
Services and other program revenues - SEEM Programs	\$ 17,869,573	\$ 18,835,823	\$ 966,250
Services and other program revenues -Transportation	7,200,000	8,058,997	858,997
Member fees	55,000	55,000	-
Interest	5,000	1,809	(3,191)
Retirement systems' on-behalf payments	-	1,660,949	1,660,949
Total revenues and other support	25,129,573	28,612,578	3,483,005
Expenses:			
Payroll and related expenses	15,608,645	15,586,730	21,915
Administration	403,363	364,136	39,227
Transportation	6,984,000	7,814,010	(830,010)
All other expenses	2,096,762	2,672,950	(576,188)
Increase in net retirement health benefit obligation	-	921,626	(921,626)
Retirement systems' on-behalf payments	-	1,660,949	(1,660,949)
Total expenses	25,092,770	29,020,401	(3,927,631)
Excess (deficit) of revenue over expenses	\$ 36,803	\$ (407,823)	\$ (444,626)

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, 2015, 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 16, 2015.

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.

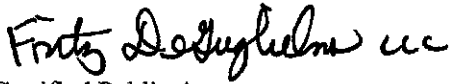
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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.



Certified Public Accountants

Newburyport, Massachusetts

November 16, 2015

SEEM COLLABORATIVE

Creating Successful Futures...

92 Montvale Avenue, Suite 3500, Stoneham, MA 02180 ~ p. 781-279-1361 ~ f. 781-279-0292 www.seemcollaborative.org

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, 2015.

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, 2015.



Board President

12/18/15

Date

SEEM

COLLABORATIVE

Creating Successful Futures...

92 Montvale Avenue, Suite 3500, Stoneham, MA 02180 ~ p. 781-279-1361 ~ f. 781-279-0292 www.seemcollaborative.org

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, 2015.

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, 2015.



Board President

12/18/15
Date