FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

December 4, 2018

To the Board of Directors of
SEEM Collaborative
92 Montvale Ave., Ste 3500
Stoneham, MA 02180

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of SEEM Collaborative for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 12, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SEEM Collaborative are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2018. We noted no transactions entered into by the Collaborative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of depreciation expense is based on guidelines established by the Commonwealth of Massachusetts for contracting purposes. Management's estimate of the post-retirement health benefit obligation is based on an actuarial valuation, which included actuarial assumptions of returns on investments, inflation, and annual compensation increase rates. Management's estimate of pension on-behalf payments is based on audited plan financial statements issued by the retirement systems. We evaluated the key factors and assumptions used to develop the estimate in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing out audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Collaborative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Collaborative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In our review of the GASB 74 & 75 actuarial valuation report, we noted that the Collaborative does not have an investment policy adopted by the Board of Directors. We recommend that the Board of Directors develop an investment policy to manage cash and other investments appropriately.

<u>Other Matters</u>

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, OPEB Plan – Required Supplementary Information, and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

<u>Restriction on Use</u>

This information is intended solely for the use of the Board of Directors and management of SEEM Collaborative and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Fritz DeGuglielmo LLC

Fritz DeGuglielmo LLC

SEEM Collaborative

Financial Statements

For the Year Ended
June 30, 2018

SEEM Collaborative
Contents
For the Year Ended June 30, 2018

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 the governmental activities, the major fund, and the aggregate remaining fund information of SEEM Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SEEM Collaborative's basic financial statements as listed in the table of contents.

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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of SEEM Collaborative, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

8 Essex Street • Newburyport, Massachusetts 01950 • Tel: (978) 462-2161 • Fax: (978) 462-8005
www.fd-cpa.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, OPEB Plan – Required Supplementary Information and pension schedules on pages 3-6 and 29-33 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 4, 2018, 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 solely 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 the effectiveness of SEEM Collaborative's 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 DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts
December 4, 2018

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, 2018 with comparative information from the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the financial statements that begin on page 7.

OVERVIEW OF THE FINANCIAL REPORTS

This discussion and analysis is intended to serve as an introduction to the Collaborative's financial statements. The Collaborative's financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements:

The government-wide financial statements report information about the Collaborative as a whole using accounting methods similar to those used by private sector companies.

- The **Statement of Net Position** presents information on all of the Collaborative's assets and liabilities with the difference between the two reported as net position. It is one way of measuring the Collaborative's financial health or position.
- The **Statement of Activities** presents information showing how the Collaborative's net position changed during the most recent fiscal year. All of the current year's revenues and expenditures are accounted for in the Statement of Activities regardless of when cash is received or paid.

Over time, increases or decreases in the Collaborative's net position is an indicator of whether its financial position is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions when evaluating the overall financial health of the Collaborative.

Fund Financial Statements:

Funds are accounting devices used to keep track of specific sources of funding and spending in particular categories: governmental funds, proprietary funds, and fiduciary funds. Presently, the Collaborative has only governmental and fiduciary funds.

- **Governmental funds –** The Collaborative's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Collaborative's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.
- **Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Collaborative's own programs.

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.

Supplementary information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

Statement of Net Position

	2018	2017	2016
Assets			
Total Current Assets	$ 8,995,055	$ 8,997,975	$ 9,115,302
Total Non-current Assets	49,995	82,318	128,047
Total Assets	$ 9,045,050	$ 9,080,293	$ 9,243,349
Liabilities			
Total Current Liabilities	$ 3,049,827	$ 2,980,582	$ 3,095,029
Total Non-current Liabilities	20,006,785	17,932,971	5,943,718
Total Liabilities	$ 23,056,612	$ 20,913,553	$ 9,038,747
Net Position			
Unrestricted	$(14,195,582)	$(12,018,521)	$ (1,332)
Restricted	134,025	102,943	77,887
Invested in capital assets, net of related debt	49,995	82,318	128,047
Total Net Position	$(14,011,562)	$(11,833,260)	$ 204,602

SEEM Collaborative's net position decreased by approximately $2,178,000 and $1,499,000 in fiscal 2018 and 2017, respectively before the cumulative effect of recording the beginning balance in the net other postemployment benefit ("OPEB") liability in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 75. During fiscal 2018, SEEM Collaborative recorded increases in net retirement health benefit obligations required by GASB Statement No. 75 of $2,073,814 and transferred an additional $155,845 to an OPEB trust. During fiscal 2017, SEEM Collaborative recorded increases in net retirement health benefit obligations required by GASB Statement No. 75 of $1,450,116 and transferred an additional $580,296 to an OPEB trust. Increases in net position before these increases in OPEB expenses were approximately $51,000 and $532,000 in fiscal 2018 and 2017, respectively. The surplus in fiscal 2018 was a result of revenues exceeding expenses during the year. The Collaborative recorded restricted net position in the amount of $134,025 as of June 30, 2018. Other changes in assets and liabilities are due primarily to operations in fiscal 2018.

Statement of Activities

	2018	2017	2016
Program Revenues*	$ 30,347,723	$29,723,196	$27,540,689
General Revenues	72,154	71,593	67,838
Total Revenues	30,419,877	29,794,789	27,608,527
Program Expenses*	28,498,910	27,568,529	25,910,217
Administrative Expenses*	1,869,610	1,694,573	1,472,894
Total Expenses*	30,368,520	29,263,102	27,383,111
Change in net position, before increase in net retirement health benefit obligation	51,357	531,687	225,416
Increase in net retirement health benefit obligation	(2,073,814)	(1,450,116)	(1,111,409)
OPEB trust funding	(155,845)	(580,296)	-
Total net position – beginning	(11,833,260)	204,602	1,090,595
Cumulative effect of a change in accounting principle	-	(10,539,137)	-
Total net position – ending	$(14,011,562)	$(11,833,260)	$ 204,602

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

During the years ended June 30, 2018 and 2017, operating revenues, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, increased by approximately $625,000 and $2,186,000, respectively. The increase in fiscal 2018 revenues was primarily from additional tuition and program services revenues of approximately $653,000. The increase in fiscal 2017 revenues was primarily from additional tuition and program services revenues of approximately $1,004,000 and additional transportation services of approximately $1,145,000. During the years ended June 30, 2018 and 2017, operating expenses, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, increased approximately $1,105,000 and $1,880,000 respectively. The increases in expenses for the year ended June 30, 2018 was primarily due to increases in personnel costs that correspond to increases in program and other service revenues. The increases in expenses for the year ended June 30, 2017 was primarily due to increases in personnel and transportation costs that correspond to increases in program and other service revenues.

Comparative information presented above for the year ended June 30, 2016 is presented as issued and is not adjusted for effects from implementing GASB Statements No. 74 and No. 75.

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The Collaborative reported a total general fund balance of $5,811,203, all of which was unassigned. The fund balance decreased approximately $103,000 during the year ended June 30, 2018 due to the transfer of approximately $156,000 to the OPEB Trust. The increase of approximately $53,000 in the fund balance prior to the funding of the Trust was primarily due to increases in tuition revenues in excess of related expenditures. Cash and cash equivalents decreased by approximately $429,000 and accounts receivable increased by approximately $437,000. The balance in the restricted funds increased by approximately $31,000 during the year ended June 30, 2018 due to unspent restricted contributions received.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Collaborative's annual budget for fiscal 2018 was approved by its Board of Directors. For the fiscal year ended June 30, 2018, the Collaborative received revenues, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, of approximately $30,373,000 compared to budgeted revenues of approximately $29,728,000. The difference between actual revenues received and budgeted revenues is primarily due to significantly higher than expected fees for transportation received during the fiscal year.

For the fiscal year ended June 30, 2018, the Collaborative incurred actual expenditures, excluding Massachusetts Teachers' and State Employees' Retirement Systems "on-behalf" payments, of approximately $30,322,000 compared to budgeted expenditures of approximately $29,721,000. The difference between actual expenditures incurred and budgeted expenditures is primarily due to higher than expected transportation costs that correspond with the increase in transportation revenues.

CAPITAL ASSET AND OBLIGATIONS

The Collaborative purchased approximately $11,000 of capital assets for programs during fiscal 2018.

KNOWN FACTS, DECISIONS, OR CONDITIONS

The Collaborative fully implemented two new standards from GASB Statements No. 74 and No. 75, in fiscal year 2017. These standards relate to the accounting and reporting by plans and employers for postemployment benefits other than pensions. The Collaborative provides financial support for postemployment health benefits.

The Collaborative historically recorded the cost of the postemployment health benefits on a "pay as you go" basis. Under Statement No. 75, the Collaborative is required to report the effects of OPEB-related transactions and events on its financial statements and to provide information about the Collaborative's OPEB obligations and the assets available to satisfy the obligations. This change significantly increased and accelerated the recording of these costs and significantly impacted the Collaborative's government-wide financials in fiscal year 2018 and 2017. The Collaborative recorded a charge for the estimated annual cost of the program for fiscal year 2018 of $2,229,659. In fiscal year 2017, the opening balance in the government-wide net position as a result of the cumulative effect of this change in accounting principle was $10,539,137 as was reported on the Statement of Activities in order to have the financial statements be compliant with GASB Statement No. 75.

The Collaborative implemented GASB Statement No. 68 in fiscal year 2015. The standard relates to the accounting and financial reporting for pensions. 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 Commonwealth").

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 6.1% of covered payroll. The Commonwealth is a nonemployer contributor in MTRS and MSERS 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. 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 revenue and pension expense.

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, 2018

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	$ 5,318,948
Accounts receivable, net	3,323,086
Prepaid expenses and other assets	353,021
Total Current Assets	8,995,055
Non-current Assets	
Furniture, equipment and leasehold improvements, net	49,995
Total Non-current Assets	49,995
Total Assets	$ 9,045,050
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable and accrued liabilities	$ 3,026,965
Deferred revenues	22,862
Total Current Liabilities	3,049,827
Non-current Liabilities:	
Net OPEB liability	20,006,785
Total Non-current Liabilities	20,006,785
Total Liabilities	23,056,612
Net Position	
Invested in capital assets, net of related debt	49,995
Unrestricted	(14,195,582)
Restricted - grants and contributions	134,025
Total Net Position	(14,011,562)
Total Liabilities and Net Position	$ 9,045,050

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

SEEM Collaborative

Statement of Activities

For the Year Ended June 30, 2018

		Program Revenues		
Functions/ Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Governmental Activities:				
Administration	$ 1,869,610	$ -	$ -	$ (1,869,610)
Education and related	19,133,106	20,623,973	118,711	1,609,578
Transportation	9,322,072	9,605,039	-	282,967
Intergovernmental revenue and expense	4,567,642	-	4,567,642	-
Other postemployment benefits	2,229,659	-	-	(2,229,659)
Depreciation and amortization	43,732	-	-	(43,732)
Total Governmental Activities	$ 37,165,821	$ 30,229,012	$ 4,686,353	(2,250,456)
General revenue:				
Assessments to member districts				55,000
Interest				14,360
Other				2,794
Total General Revenue				72,154
Change in Net Position				(2,178,302)
Net Position, Beginning of Year				(11,833,260)
Net Position, End of Year				$ (14,011,562)

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

SEEM Collaborative
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 5,184,923	$ 134,025	$ 5,318,948
Accounts receivable, net	3,323,086	-	3,323,086
Prepaid expenses and other assets	353,021	-	353,021
Total Assets	$ 8,861,030	$ 134,025	$ 8,995,055
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 3,026,965	$ -	$ 3,026,965
Deferred revenues	22,862	-	22,862
Total Liabilities	3,049,827	-	3,049,827
Fund Balances:			
Nonspendable	-	-	-
Restricted	-	134,025	134,025
Committed	-	-	-
Assigned	-	-	-
Unassigned	5,811,203	-	5,811,203
Total Fund Balances	5,811,203	134,025	5,945,228
Total Liabilities and Fund Balances	$ 8,861,030	$ 134,025	$ 8,995,055

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

SEEM Collaborative

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2018

Total fund balances, governmental funds	$ 5,945,228
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position	49,995
Other postemployment benefit (OPEB) liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position.	(20,006,785)
Net position of governmental activities	$ (14,011,562)

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

SEEM Collaborative

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Tuition and service revenues	$ 20,623,973	$ -	$ 20,623,973
Transportation	9,605,039	-	9,605,039
Member assessments	55,000	-	55,000
Grants and contributions	71,938	46,773	118,711
Intergovernmental revenue	4,567,642	-	4,567,642
Interest	14,360	-	14,360
Other	2,794	-	2,794
Total Revenues	34,940,746	46,773	34,987,519
Expenditures:			
Administration	1,869,610	-	1,869,610
Program payroll	14,188,392	-	14,188,392
Program fringe benefits and payroll taxes	2,352,372	-	2,352,372
Professional services	387,447	-	387,447
Rent and utilities	1,155,443	-	1,155,443
Maintenance	475,463	-	475,463
Supplies	319,542	-	319,542
Transportation	9,322,072	-	9,322,072
Travel, field trips, and conferences	107,901	14,247	122,148
Telephone and internet	33,431	-	33,431
Training	46,629	1,444	48,073
Miscellaneous	50,795	-	50,795
Intergovernmental expense	4,567,642	-	4,567,642
Capital outlay, net of debt incurred	11,409	-	11,409
Total Expenditures	34,888,148	15,691	34,903,839
Excess of Revenues over Expenditures	52,598	31,082	83,680
Other Financing Sources:			
OPEB obligation funding	(155,845)	-	(155,845)
Net Change in Fund Balances	(103,247)	31,082	(72,165)
Fund Balances, Beginning of Year	5,914,450	102,943	6,017,393
Fund Balances, End of Year	$ 5,811,203	$ 134,025	$ 5,945,228

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

SEEM Collaborative

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2018

Net change in fund balances of total governmental funds	$	(72,165)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital outlay purchases, net of debt incurred		11,409
Depreciation		(43,732)
Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net change in Net OPEB Liability		(2,073,814)
Change in net position of governmental activities	$	(2,178,302)

SEEM Collaborative

Statement of Fiduciary Net Position

Retirees' Health Insurance Trust Fund

June 30, 2018

Assets	
Cash and cash equivalents	$ 778,852
Total Assets	$ 778,852
Net Position	
Net position restricted for OPEB	$ 778,852
Total Net Position	$ 778,852

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

SEEM Collaborative

Statement of Changes in Fiduciary Net Position
Retirees' Health Insurance Trust Fund
For the year ended June 30, 2018

Additions:	
Contributions	$ 155,845
Investment gain	41,436
Total Additions	197,281
Change in Net Position	197,281
Net Position - Beginning of Year	581,571
Net Position - End of Year	$ 778,852

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

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.

Basis of Presentation

The Collaborative's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

As required by GAAP and in accordance with the GASB, the accompanying financial statements present the Collaborative and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Collaborative are significant. Pursuant to these criteria, the Collaborative did not identify any component units requiring inclusion in the accompanying financial statements.

The Collaborative's basic financial statements include both government-wide (reporting the Collaborative as a whole) and fund financial statements (reporting the Collaborative's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. The Collaborative does not have any activities classified as business type activities.

Government-wide Financial Statements

In the government-wide Statement of Net Position, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The Collaborative's net position is reported in three parts—net investment in capital assets; restricted; and unrestricted. The Collaborative first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Collaborative does not allocate indirect expenses to functions in the statement of Activities. Program revenues included charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Collaborative as an entity and the change in the Collaborative's net position resulting from the current year's activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues and expenditures.

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

The emphasis in fund financial statements is on the major funds in the governmental activities categories. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Collaborative may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The following governmental fund types are used by the Collaborative - the Collaborative does not use proprietary funds:

Governmental Funds:
The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Collaborative:

General fund - is the general operating fund of the Collaborative. It is used to account for all financial resources not accounted for and reported in another fund.

Non-major governmental funds - consist of other special revenue and permanent funds that are aggregated and presented in the non-major governmental funds column on the government funds financial statements.

Fiduciary Funds:
Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net position and changes in net position presented in fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (retirees) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Basis of Accounting and Measurement Focus
The Collaborative's government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Collaborative's governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Fair Value Measurements and Investments
The Collaborative has contributed $736,141 to a public employee retirement trust account with U.S Bank National Association as trustee, on behalf of its retirees' health insurance trust fund. The trustee invests the funds in Vanguard mutual funds. As of June 30, 2018, the balance in these investments consisted of the following:

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

	Cost	Fair Value	Unrealized Gain
Mutual Funds	$736,141	$778,852	$42,711

All investments of the Collaborative are measured at fair value, generally based on quoted market prices in accordance with level 1 of the Fair Value Hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*.

Net increase in the fair value on investments for the year ended June 30, 2018 was $41,436. There were no realized gains or losses during the year ended June 30, 2018. Investment fees for the year ended June 30, 2018 were $1,584.

The Collaborative manages its investments in accordance with state public finance laws that require that all moneys held in the name of the Collaborative, which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety, liquidity and yield. The Collaborative has directed a local investment management service to manage the funds as conservatively as possible. However, the investments are still subject to market risk of loss. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Collaborative will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Collaborative's investments are uninsured, not registered in the name of the Collaborative, and held by the counterparty's trust department or agent but not in the Collaborative's name.

Revenues
Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Charges for services provided to other education agencies and private parties are recognized as revenue when services are provided. Amounts owed to the Collaborative for services already performed, which are not available are recorded as receivables. Amounts received prior to the entitlement period are recorded as unearned revenue. Revenues susceptible to accrual include expenditure-driven programs and interest income.

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.

Accounts Receivable
Accounts receivable are carried at their net realized value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. At June 30, 2018, management has not recorded an allowance for doubtful accounts because they have deemed all accounts collectible. At June 30, 2018, accounts receivable consisted of:

Services – SEEM programs and transportation	$ 3,323,086

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.

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

Property and Equipment

Furniture and equipment are capitalized in the government-wide financial statements 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.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

Property and equipment reported on the Statement of Net Position is as follows:

	June 30, 2018
Office furniture and equipment	$ 403,904
Vehicles	103,172
Leasehold improvements	396,161
	903,237
Accumulated depreciation	(853,242)
Property and equipment, net	$ 49,995

Depreciation expense reported on the Statement of Activities for the year ended June 30, 2018 was $43,732.

Equity Classifications

Government-wide Statements

Equity is classified as net positon and displayed in three components:

Net position invested in capital assets **–** Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end the portion of the debt attributable to the unspent proceeds are not included in the calculation or invested in capital assets. The Collaborative has no bonded debt on Capital assets at June 30, 2018.

Restricted net position (as applicable) **–** Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other government or, (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – general and other purposes **–** All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance in the fund financial statements is classified as nonspendable, restricted, committed, assigned or unassigned as described below:

Nonspendable: consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

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

Committed: Amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority (Board of Directors). This classification might also include contractual obligations if existing resources have been committed for use in satisfying those contractual requirements.

Assigned: Amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom authority has been given.

Unassigned: This is residual classification for the General Fund – that is, everything that is not in another classification or in another fund. The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Collaborative's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance.

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.

Allocation of Costs

Directly identifiable costs are charged to student services or general and administrative functions as applicable. Costs related to more than one function are allocated bases on criteria intended to associate the cost with whichever function benefits.

Income Tax Status

The Collaborative was established under Chapter 40 Section 4(e) under the general laws of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

Subsequent Events

Subsequent events have been evaluated through December 4, 2018, 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 2024. Classroom and office lease expense was $943,550 for the year ended June 30, 2018.

NOTE B – LEASE OBLIGATIONS *(continued)*

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

Year Ending June 30	
2019	$ 863,372
2020	475,235
2021	472,302
2022	137,711
2023	107,294
2024	53,647
	$2,109,561

Leases with member districts include:

-Town of Wakefield, School Facility – Yeuell School, lease expired 6/30/18 and is now month to month.

-Town of Stoneham, School Facility – Central School, 7/1/11-6/30/19.

-Town of Melrose, School Facilities – Ripley School and Beebe School, 8/1/11-7/31/21.

-Town of North Reading, Classroom Space – North Reading Middle, 9/1/14-8/31/19, renewed for 1 additional year as of 7/1/18.

The Collaborative also leases equipment, which consists principally of the leasing of copiers under operating leases that expire next fiscal year. Equipment lease expense was $58,684 for the year ended June 30, 2018.

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, 2018.

Year Ending June 30	
2019	$ 26,616
2020	26,616
2021	13,308
2024	-
	$ 66,540

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.

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

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.

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:

Hire Date	% of Compensation
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

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

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 6.1% 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 2018, the Collaborative's contributions on behalf of employees totaled $364,782.

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

Hire Date % of Compensation
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

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, 2017 and was $13,769,155 and $26,692,845 under MSERS and MTRS, respectively. In fiscal 2018, the Collaborative recognized revenue and related expense of $1,781,632 for its portion of the collective pension expense under MSERS. In fiscal 2018, the Collaborative recognized revenue and related expense of $2,786,010, for its portion of the collective pension expense under MTRS.

NOTE E – RETIREMENT HEALTH BENEFITS

The Collaborative follows the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions." The Collaborative has also established a trust that follows the provisions of GASB Statement No. 74 that is intended to set funds aside for future retiree health insurance. The trust does not issue a separate financial report and its financial activities are reported in the fiduciary financial statements

Description
The Collaborative offers comprehensive medical insurance via Tufts Health Plan to eligible employees. An employee shall become eligible to retire under this plan upon meeting either of the following conditions:

NOTE E – RETIREMENT HEALTH BENEFITS *(continued)*

i. For employees hired before April 2, 2012, attainment of age 55 as an active member and completion of 10 years of service or completion of 20 years of service regardless of age.
ii. For employees hired on and after April 2, 2012, attainment of age 60 as an active member and completion of 10 years of service.

The single-employer plan is administered by the Collaborative, which is the only employer involved in the plan, and the retirees share in 30% of premiums for Medical insurance.

Funding Policy
The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. For the 2018 fiscal year, total Collaborative premiums plus implicit costs for the retiree medical program were $134,887. The Collaborative was also projected to make a contribution to an OPEB Trust of $61,213 for the 2018 fiscal year. However, the actual contribution to the Trust was $155,845 for the year ended June 30, 2018.

Investment Policy
The Collaborative has not established a formal investment policy. As of June 30, 2018, all of the Collaborative's plan investments were in Vanguard mutual funds through Public Agency Retirement Services, the trust administrator. The annual money-weighted rate of return as of the actuarial valuation date of June 30, 2016 was 0.10%.

Actuarially Determined Contribution (ADC)
The Collaborative's Actuarially Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The following table shows the components of the Collaborative's annual ADC for the fiscal year and the amount actually contributed to the plan:

Actuarially Determined Contribution - Deficiency / (Excess)

		June 30, 2018
I.	Service Cost	$1,800,456
II.	30 year amortization of NOL at 3.00%	618,549
III.	Actuarial Determined Contribution [I. + II.]	2,419,005
IV.	Contributions in relation to the actuarially determined contribution	(155,845)
V.	Contribution deficiency / (excess) [III. + IV.]	$2,263,160
Covered employee payroll		$13,574,188
Contribution as a % of covered employee payroll		1.15%

Funded Status and Funding Progress
As of June 30, 2018, the plan was 3.75% funded. The Total OPEB Liability (TOL) for benefits was $20,785,637, and the Fiduciary Net Position was $778,852, resulting in a Net OPEB Liability (NOL) of $20,006,785. The covered payroll (annual payroll of active employees covered by the plan) was $13,981,413 and the ratio of the NOL to the covered payroll was 143.1%.

NOTE E – RETIREMENT HEALTH BENEFITS *(continued)*

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 actuarially determined 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 process, 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 Total OPEB Liabilities for benefits.

Actuarial Valuation Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio	Covered Payroll	NOL as a % of Covered Payroll
6/30/2018	$778,852	$20,785,637	$20,006,785	3.7%	$13,981,413	143.1%
6/30/2017	$581,571	$18,514,542	$17,932,971	3.1%	$13,574,188	132.1%
6/30/2016	$ -	$16,482,855	$16,482,855	0.0%	$13,178,823	125.1%
6/30/2015	$ -	$8,322,182	$8,322,182	0.0%	$12,491,529	66.6%
6/30/2014	$ -	$7,235,436	$7,235,436	0.0%	$12,127,698	59.7%
6/30/2013	$ -	$6,772,485	$6,772,485	0.0%	$11,238,437	60.3%

OPEB Liability, OPEB Expense and ADC

	Fiscal Year Ended June 30, 2018	
	Collaborative Employees and Retirees	**Total**
I. Total OPEB Liability	$18,514,542	$18,514,542
II. Fiduciary Net Position as of June 30, 2017	581,571	581,571
III. Net OPEB Liability (Asset) [I.-II.]	17,932,971	17,932,971
IV. Service Cost	1,800,456	1,800,456
V. Interest on Net OPEB Liability (Asset) and Service Cost	589,738	589,738
VI. Deferred (Inflows)/Outflows from Plan Design Changes	-	-
VII. Deferred (Inflows)/Outflows from Plan Experience	2,509	2,509
VIII. Deferred (Inflows)/Outflows from Changes in Assumptions	-	-
IX. Projected Earnings on OPEB Plan Investments	(28,157)	(28,157)
X. Deferred (Inflows)/Outflows from Earnings on Investments	-	-
XI. Employer Share of Costs	(134,887)	(134,887)
XII. Employer Payments (Withdrawals) to/from OPEB Trust	(155,845)	(155,845)
XIII. Total Employer Contribution [XI.+XII.]	(290,732)	(290,732)
XIV. Net OPEB Expense [IV.+V.+VI.+VII.+VIII.+IX.+X.+XIII.]	$ 2,073,814	$ 2,073,814
XV. Actuarial Determined Contribution (ADC)	$ 2,419,005	$ 2,419,005
XVI. Total Expected Contribution	$ 196,100	$ 196,100
XVII. Percentage of ADC Contributed [XVI./XV.]	8%	8%

NOTE E – RETIREMENT HEALTH BENEFITS *(continued)*

<u>Effect of 1% Change in Healthcare Trend</u>
As of the actuarial report date of June 30, 2016, in the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Total OPEB Liability would increase to $25,836,077 or by 56.7% and the corresponding Service Cost would increase to $2,899,712 or by 77.8%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Total OPEB Liability would decrease to $10,839,504 or by 34.2% and the corresponding Service Cost would decrease to $911,113 or by 44.1%.

<u>Effect of 1% Change in Discount Rates</u>
As of the actuarial report date of June 30, 2016, if the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to $12,407,954 or by 24.7%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to $22,549,360 or by 36.8%.

<u>Actuarial Methods and Assumptions</u>
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 benefits 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: Individual Entry Age Normal
Investment Rate of Return: 3.00% per annum (previously 4.00%)
Discount Rate: 3.00% per annum (previously 4.00%)
Investment Target Allocation: 100.00% cash
Healthcare Trend Rates:

Year	Medical	Dental
FY 2013	6.0%	5.5%
FY 2014	5.0%	5.0%
FY 2015	5.0%	5.0%
FY 2016	5.0%	5.0%
FY 2017	5.0%	5.0%
FY 2018	5.0%	5.0%
FY 2019	5.0%	5.0%
FY 2020 +	5.0%	5.0%

General Inflation Assumption: 2.75% per annum
Annual Compensation Increases: 3.00% per annum
Actuarial Value of Assets: Market Value

<u>Gain/Loss Calculation</u>
Gains and losses arise from experience and contribution deficiencies and excess contributions in relation to each year’s ADC under GASB 74/75.

NOTE E – RETIREMENT HEALTH BENEFITS *(continued)*

Recognition of OPEB Trust Assets

The state of Massachusetts has passed legislation allowing municipal entities to establish a Trust for Other Postemployment Benefits ("OPEB") under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 75. This legislation was amended effective November 9, 2016 to clarify who may adopt such a Trust and provide guidance on the ongoing operation of such a Trust. To the best of our knowledge, SEEM Collaborative has established an irrevocable trust for the purposes of prefunding liabilities under GASB 74/75.

Deferred Outflows of Resources

Deferred outflows of resources as of the actuarial valuation date, June 30, 2016, were $35,147 for the differences between actual and expected experience, which are being amortized over 14.01 years. Deferred outflows in the amount of $2,509 were included in OPEB expense for the year ended June 30, 2017. The amount of deferred outflows that will be recognized in expense in each of the subsequent five years and in the aggregate thereafter are as follows:

Year Ended June 30:	
2019	$ 2,509
2020	2,509
2021	2,509
2022	2,509
2023	2,509
Thereafter	17,584
	$30,129

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, 2019 (formerly December 31, 2017, but amended by Consolidated Appropriations Act) 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 threshold amounts for 2018 (original legislation) were $10,200 for single coverage and $27,500 for family coverage and a "kicker" amount of $1,650 for single coverage and $3,450 for family coverage. These threshold and kicker amounts are expected to be updated because of the Consolidated Appropriations Act before the tax takes effect in 2020, but currently the updated amounts have not been released.

The excise tax liability will vary significantly over time as it is highly leveraged with the basic threshold amount increased with general CPI and medical costs increasing with medical trend (generally higher). For purposes of the fiscal year ending June 30, 2017, the TOL for the excise tax is $385,286 and the increase in OPEB Expense is $87,384. Given the Collaborative's premiums through the 2017 fiscal year and the excise tax threshold, the Collaborative's average single premiums are $1,878 below the excise tax threshold and the Collaborative's average family premiums are $4,973 below the excise tax threshold. As more regulatory guidance becomes available, the calculation of the excise tax liability will evolve.

NOTE E – RETIREMENT HEALTH BENEFITS *(continued)*

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.

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

Names, duties and total compensation for the five most highly compensated employees
The five highest paid employees of the Collaborative during fiscal 2018 were as follows:

Name	Title	Fiscal 2018 Salary
Catherine Lawson	Executive Director	$161,436
Gregory Zammuto	Director of Finance and Operations	$135,758
Maureen Crowley	Principal	$111,024
Ryan Snyder	Board Certified Behavior Analyst	$110,871
Jennifer Thornton	Principal	$109,524

The first, second, and fourth employees listed above were employed by the Collaborative under 12 month contracts and the third and fifth employees listed above was 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.

Board Certified Behavior Analyst - Provides leadership, supervision and oversight of the consultative BCBA department and the Program based BCBA staff

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

Amounts expended on services for individuals aged 22 years and older
The Collaborative does not provide services to individuals aged 22 years or older.

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

Amounts expended on administration and overhead

Total administrative costs incurred by the Collaborative totaled $1,869,610 for the year ended June 30, 2018. 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 by the collaborative that may be spent at the discretion of another person or entity

As of June 30, 2018, the Collaborative did not hold any accounts that may be spent at the discretion of another person or entity.

Transactions between the collaborative and any related for-profit or non-profit organization

Leases of space from member districts are described in Note B to the financial statements and are the only transactions between the collaborative and any related for-profit or non-profit organization.

Transactions or contracts related to purchase, sale, rental or lease of real property

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.

Annual determination and disclosure of cumulative surplus

		Cumulative Surplus Calculation - FY18					Page(s) in financial statements
(A)		Voted Cumulative Surplus as of 6/30/17			$ 5,914,450	(A)	p. 11
(B)	1	Amount of (A) used to support the FY18 Budget	(B)1	$(103,247)			
	2	Amount of (A) returned to member districts	(B)2	$ -			
		(B)1 + (B)2 = (B)			$ (103,247)	(B)	
(C)		Unexpended FY18 General Funds			$ -	(C)	p. 11
(D)		Cumulative Surplus as of 6/30/18 (A) - (B) + (C) = (D)			$ 5,811,203	(D)	
(E)		FY18 Total General Fund Expenditures*			$ 30,476,351	(E)	p. 11
(F)		Cumulative Surplus Percentage	(D) ÷ (E)		19%	(F)	
		Estimated Amount of Excess Cumulative Surplus as of 6/30/18			-		

* Excludes Intergovernmental expense, includes transfer to postemployment benefits trust

SEEM Collaborative

Statement of Revenues, Expenditures and Changes in Fund Balance
of the General Fund - Budget to Actual
For the Year Ended June 30, 2018

	Original & Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:			
Tuition and service revenues	$ 20,937,591	$ 20,623,973	$ (313,618)
Transportation	8,700,000	9,605,039	905,039
Member assessments	55,000	55,000	-
Grants and contributions	-	71,938	71,938
Intergovernmental revenue*	-	4,567,642	4,567,642
Interest	35,000	14,360	(20,640)
Other	-	2,794	2,794
Total Revenues	29,727,591	34,940,746	5,213,155
Expenditures:			
Administration	2,204,643	1,869,610	335,033
Program payroll	14,420,427	14,188,392	232,035
Program fringe benefits and payroll taxes	2,235,332	2,352,372	(117,040)
Professional services	126,900	387,447	(260,547)
Rent and utilities	1,143,416	1,155,443	(12,027)
Maintenance	343,287	475,463	(132,176)
Supplies	466,876	319,542	147,334
Transportation	8,439,000	9,322,072	(883,072)
Travel, field trips, and conferences	124,178	107,901	16,277
Telephone and internet	38,226	33,431	4,795
Training	130,215	46,629	83,586
Miscellaneous	48,518	50,795	(2,277)
Intergovernmental expense*	-	4,567,642	(4,567,642)
Capital outlay, net of debt incurred	-	11,409	(11,409)
Total Expenditures	29,721,018	34,888,148	(5,167,130)
Net Change in Fund Balances	$ 6,573	$ 52,598	$ 46,025
Other Budget Items:			
OPEB obligation funding	$ -	$ 155,845	$ (155,845)

*Intergovernmental revenue and expense is not budgeted by the Collaborative because it is actuarially determined annually and does not require actual expenditure by the Collaborative.

Note: The schedule above is presented on the same basis used by the Collaborative to present its internal budget to actual comparison and account groupings are not necessarily consistent with the Statement of Revenue, Expenditures and Changes in Fund balances presented on page 11.

SEEM Collaborative
OPEB Plan - Required Supplementary Information
As of Actuarial Valuation Date - June 30, 2016

Notes to Required Supplementary Information:

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2016.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2016.

Actuarial Assumptions:

Investment Rate of Return:	2.75 percent, net of OPEB plan investment expense, including inflation.
Single Equivalent Discount Rate:	3.00 percent, net of OPEB plan investment expense, including inflation.
Inflation:	2.75 percent as of June 30, 2016 and for future periods
Salary Increases:	3.00 percent annually as of June 30, 2016 and for future periods
Cost of Living Adjustment:	Not Applicable
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled Mortality:	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

Plan Membership

Plan Membership: At June 30, 2016, the OPEB plan membership consisted for the following

Inactive employees or beneficiaries currently receiving benefits:	25
Active Employees:	260
Total:	285

Notes to Required Supplementary Information (Continued):

Changes in Assumptions: Effective June 30, 2016

* Discount rate is 3.00% previously 4.00%
* The assumed pre-retirement mortality table is the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.- previously RP-2000 Mortality Table projected to 2017.
* The assumed pre-retirement mortality table is the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.- previously RP-2000 Mortality Table projected to 2017.
* The actuarial cost method is Individual Entry Age Normal- previously Projected Unit Credit

Contributions:
The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. The Collaborative's expected contributions beyond the pay-as-you-go cost for the 2018 fiscal year was $61,213. Total Collaborative premiums plus implicit costs for the retiree medical program are $134,887 for the 2018 fiscal year. The Collaborative's projected cash flows into the trust for fiscal 2018 were the $61,213 in expected contributions plus $18,208 in expected net investment income. The Collaborative's actual cash flows into the trust for fiscal 2018 were $155,845 in contributions and $41,436 of net investment income.

SEEM Collaborative

Schedule of the Collaborative's Proportionate Share of Net Pension Liability

For the Year Ended June 30, 2018

		MTRS	MSERS
Collaborative's proportion of net pension liability	FY2014	0.10507%	0.09481%
	FY2015	0.10453%	0.09903%
	FY2016	0.11035%	0.09431%
	FY2017	0.11664%	0.10736%
Collaborative's proportionate share of net pension liability	FY2014	$ 16,702,908	$ 7,939,523
	FY2015	$ 21,418,635	$ 11,272,144
	FY2016	$ 24,671,118	$ 13,004,413
	FY2017	$ 26,692,845	$ 13,769,155
Collaborative's covered-employee payroll	FY2014	$ 6,680,161	$ 5,406,850
	FY2015	$ 6,710,478	$ 5,533,186
	FY2016	$ 7,392,830	$ 5,374,488
	FY2017	$ 7,600,056	$ 5,900,774
Collaborative's proportionate share of the net pension liability as a percentage of its covered-employee payroll	FY2014	250.04%	146.84%
	FY2015	319.18%	203.72%
	FY2016	333.72%	241.97%
	FY2017	351.22%	233.34%
Plan fiduciary net position as a percentage of total pension liability	FY2014	61.64%	76.32%
	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%
	FY2017	54.25%	67.21%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note D to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2017.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

SEEM Collaborative
Schedule of Pension Contributions
For the Year Ended June 30, 2018

	FY2014	FY2015	FY2016	FY2017
MTRS				
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Consortium's covered-employee payroll	$ 6,680,161	$ 6,710,161	$ 7,392,830	$ 7,600,056
Contributions as a percentage of covered-employee	0.00%	0.00%	0.00%	0.00%
MSERS				
Contractually required contribution	$ 281,263	$ 303,508	$ 294,171	$ 325,726
Contributions in relation to the contractually required	$ 281,263	$ 303,508	$ 294,171	$ 325,726
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Consortium's covered-employee payroll	$ 5,406,850	$ 5,533,186	$ 5,374,488	$ 5,900,774
Contributions as a percentage of covered-employee	5.20%	5.49%	5.47%	5.52%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note D to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2017.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Contributions

The Collaborative is required to pay an annual appropriation as established by the Public Employees' Retirement Administration Commission (PERAC) for MSERS. No contribution is required for MTRS. The Commonwealth of Massachusetts as a nonemployer is legally responsible for the entire past service cost related to the Collaborative and therefore has a 100% special funding situation.

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 the governmental activities, each major fund, and the aggregate remaining fund information of SEEM Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SEEM Collaborative's basic financial statements, and have issued our report thereon dated December 4, 2018.

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 opinion 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*.

8 Essex Street • Newburyport, Massachusetts 01950 • Tel: (978) 462-2161 • Fax: (978) 462-8005
www.fd-cpa.com

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 DeGuglielmo LLC

Certified Public Accountants

Newburyport, Massachusetts

December 4, 2018

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, 2018.

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, 2018.

Board Chair

12/18/2018

Date