SEEM Collaborative

Financial Statements
and Supplementary Information

June 30, 2015

SEEM Collaborative

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FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SEEM Collaborative
Stoneham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of SEEM Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), which comprise the statement of net position as of June 30, 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.

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

	2015	2014	2013
ASSETS			
Total Current Assets	$10,007,165	$8,039,676	$7,992,956
Total Non-current Assets	178,778	226,874	241,481
Total Assets	$10,185,943	$8,266,550	$8,234,437
LIABILITIES			
Total Current Liabilities	$ 4,263,039	$2,857,449	$3,285,661
Total Non-current Liabilities	4,832,309	3,910,683	3,092,146
Total Liabilities	$ 9,095,348	$6,768,132	$6,377,807
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	178,778	226,874	241,481
Total Net Position	$ 1,090,595	$1,498,418	$1,856,630

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.

	2015	2014	2013
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*	1,316,181	23,728,031	22,725,657
Total Operating Expenses*	26,437,826	24,907,748	24,005,102
Change in operating net position	511,994	457,882	184,613
Non-operating Revenues	1,809	2,443	2,846
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	1,498,418	1,856,630	2,427,274
Total net position – ending	$ 1,090,595	$ 1,498,418	$ 1,856,630

* 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.

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)

	2015	2014
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	50,623	39,929
Total Current Assets	10,007,165	8,039,676
Non-current Assets		
Furniture, equipment and leasehold improvements, net	178,778	226,874
Total Non-current Assets	178,778	226,874
Total Assets	$ 10,185,943	$ 8,266,550
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,216,949	$ 2,857,449
Deferred revenues	46,090	-
Total Current Liabilities	4,263,039	2,857,449
Long Term Liabilities:		
Net retirement health benefit obligation	4,832,309	3,910,683
Total Liabilities	9,095,348	6,768,132
Net Position		
Unrestricted	862,630	1,271,544
Restricted - grants and contributions	49,187	-
Invested in capital assets, net of related debt	178,778	226,874
Total Net Position	1,090,595	1,498,418
Total Liabilities and Net Position	$ 10,185,943	$ 8,266,550

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
	Unrestricted	Restricted	Total	Total
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	28,561,582	49,187	28,610,769	25,664,870
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	28,098,775	-	28,098,775	25,206,988
Change in Operating Net Position	462,807	49,187	511,994	457,882
NON-OPERATING REVENUES				
Interest	1,809	-	1,809	2,443
Total Non-operating Revenues	1,809	-	1,809	2,443
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 obligatior	(921,626)	-	(921,626)	(818,537)
Change in Net Position	(457,010)	49,187	(407,823)	(358,212)
Net Position – Beginning of Year	1,498,418	-	1,498,418	1,856,630
Net Position – End of Year	$ 1,041,408	$ 49,187	$ 1,090,595	$ 1,498,418

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
	$19,377,098	$ 8,058,997	$ 1,019,122	$ 157,361	$28,612,578	$25,667,313
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
	$17,758,993	$ 7,814,010	$ 1,169,171	$ 1,356,601	$28,098,775	$25,206,988

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	(13,258,746)
Cash provided by operating activities	2,008,805
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts from interest	1,809
Purchase of capital assets	(22,677)
Cash used in investing activities	(20,868)
Net increase in cash and cash equivalents	1,987,937
Cash and cash equivalents at beginning of year	5,411,459
Cash and cash equivalents at end of year	$ 7,399,396
Supplemental Data:	
Interest paid	$ -
Taxes paid	$ -
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	46,090
Cash provided by operating activities	$ 2,008,805

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.

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.

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	1,302,970
	$ 2,557,146

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:

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

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.

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:

Year Ending June 30	
2016	$ 885,258
2017	118,032
2018	88,472
2019	44,236
	$1,135,998

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.

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.

Year Ending June 30	
2016	$ 59,352
2017	59,352
2018 & thereafter	24,730
	$143,434

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.

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.

<u>Contributions:</u>

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

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:

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

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."

<u>Description</u>
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.

<u>Funding Policy</u>
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.

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	193,305
Annual OPEB cost (expense)	1,085,967
Contributions Made (expected)	164,341
Increase in net OPEB obligation	921,626
Net OPEB Obligation-beginning of year	3,910,683
Net OPEB Obligation-end of year	$4,832,309

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.

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.

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.

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.

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*.

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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

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