

Southeastern Massachusetts Educational Collaborative

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Year Ended June 30, 2012

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Southeastern Massachusetts Educational Collaborative

Required Supplementary Information

Management Discussion and Analysis

June 30, 2012

Southeastern Massachusetts Educational Collaborative (SMEC) Management Discussion and Analysis is designed to a) assist the reader in focusing on significant financial issues, b) provide an overview of the Collaborative's financial activity, c) identify changes in the Collaborative's financial position (its ability to address the next and subsequent year challenges), d) identify any material deviations from the financial plan (approved budget) and e) identify individual fund issues or concerns.

Since the Management Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Collaborative's financial statements.

Highlights

Financial Highlights

- The Collaborative's tuition funding of \$2,379,271 was from member public school systems and other non-member public school systems in Southeastern Massachusetts.
- The Massachusetts Department of Developmental Services and Massachusetts Commission for the Blind continues their support of the Collaborative's S.A.I.L. (Supporting Adults for Inclusive Living) program through various service contracts totaling \$2,863,978 for the fiscal year.
- MassHealth and the Department of Elementary and Secondary Education reimburse for tuition, transportation, and food costs for the ADH (Adult Day Health) Program. MassHealth reimbursed the Collaborative \$501,017 for tuition and transportation costs and the Department of Elementary and Secondary Education reimbursed the Collaborative \$33,018 for food costs during the fiscal year.
- The assets of the Collaborative exceeded its liabilities at the close of the fiscal year by \$459,917 (net assets).

Collaborative Highlights

During Fiscal Year 2012, some of the Collaborative's highlights included:

- The Collaborative was a partner beneficiary in the amount of \$1,500 from a grant issued to the New Bedford Public Schools to supplement its nursing program. Nursing supplies and health/ADL training materials were purchased for the program.

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Management Discussion and Analysis
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- The Collaborative was the recipient of an award in the amount of \$1,431 from the New Bedford Cultural Council that allowed Collaborative students to attend Zeiterion Theatre performances; this award reimbursed the Collaborative for the admission fees paid to the Zeiterion Theatre for various performances.
- In September 2011, the Collaborative opened the Alternative Learning Classroom II (ALC II) located at Dartmouth High School with unanimous votes of approval from both the SMEC Board and the Dartmouth School Committee. The ALC II provides a substantially separate classroom program for students in grades 9-12 with social/emotional and behavioral disabilities. The classroom is designed to serve up to eight students at a time.
- In March 2012, the Massachusetts Legislature revised Chapter 40 Section 4E, An Act Relative to Educational Collaboratives. Highlights relative to SMEC include the “grandfathering” of the authorization to provide adult services to any collaborative that was currently under state contract to provide adult services. Further provisions of the Act will be addressed in regulations to be promulgated by the Massachusetts Department of Elementary and Secondary Education.

Using This Annual Report

The following graphic is provided for your review.

MD&A	Management Discussion & Analysis	
Basic Financial Statements	Government-Wide Financial Statements Pages 13 & 14	Fund Financial Statements Pages 15 & 16
	Notes to Financial Statements (expanded/restricted) Pages 20-34	
Other Required Supplementary Information	Pages 35-39	

The primary focus of local government’s financial statements for the last 20 years (summarized fund type information) has been discarded. The new focus is on both – the Collaborative as a whole and the major individual funds. Both perspectives allow the user to address relevant questions, broaden a basis for comparison and enhance the Collaborative’s accountability.

Basic Financial Statements

The financial statements include two types of financial statements that present different views of the Collaborative; the government-wide financial statements and the fund financial statements. These financial statements also include the notes to the financial statements that explain some of the information on the financial statements and provide more detail.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Collaborative's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the Collaborative's financial position, which assists in assessing the Collaborative's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements.

The statement of net assets presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Collaborative's net assets may serve as a useful indicator of whether the financial position of the Collaborative is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the Collaborative.

Both of the above financial statements contain only governmental activities as the Collaborative only has such activities within its only fund. Therefore, the Collaborative only presents governmental activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Collaborative, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements usually focus on individual parts of the Collaborative reporting the Collaborative's operations. The Collaborative only has a governmental fund which is its general fund.

Governmental Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Collaborative's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Collaborative's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Collaborative.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The Collaborative presents one column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance. The governmental funds financial statements can be found immediately following the government-wide statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide, fund financial statements and also the budget and actual statement. The notes to the financial statements can be found immediately following the statement of revenues and expenditures - budget and actual.

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 Management Discussion and Analysis
June 30, 2012

Government-Wide Financial Analysis

Summary Statement of Net Assets
Governmental Activities

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current and other assets	\$ 782,869	\$1,042,039
Capital assets, net of accumulated depreciation	<u>316,024</u>	<u>267,640</u>
<u>Total Assets</u>	<u>1,098,893</u>	<u>1,309,679</u>
Current liabilities	139,957	149,310
Noncurrent liabilities –		
Other postemployment benefits	482,223	-
Other	<u>17,196</u>	<u>19,876</u>
<u>Total Liabilities</u>	<u>639,376</u>	<u>169,186</u>
<u>Net Assets</u>		
Invested in capital assets net of debt	316,024	267,640
Restricted	55,500	55,500
Unrestricted	<u>87,993</u>	<u>817,353</u>
<u>Total Net Assets</u>	<u>\$ 459,917</u>	<u>\$1,140,493</u>

Normal Impacts

There are six basic impacts of the statement of net assets summary presentation.

Net Results of Activities - which will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for Capital - which will increase current assets and long-term debt.

Spending of Borrowed Proceeds - which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

Spending of Non-borrowed Current Assets on New Capital - which will a) reduce current assets and increase capital assets and b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

Principal Payment on Debt - which will a) reduce current assets and reduce long-term debt and b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation - which will reduce capital assets and invested in capital assets, net of debt.

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 Management Discussion and Analysis
June 30, 2012

Current Year Impacts

Net Assets - The total net assets of the Collaborative exceeded its liabilities for the year ended June 30, 2012 by \$459,917 (presented as “net assets”) which included an Other Postemployment Benefits (OPEB) obligation, in the amount of \$482,223, as the result of adopting GASB 45 in this fiscal year and a prior period adjustment decrease of \$53,063. Of this amount, \$87,993 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the Collaborative’s ongoing obligations to member towns and creditors.

The Collaborative’s total net assets decreased by \$627,913 in fiscal year 2012. This decrease included the adoption of GASB 45 and the recognition of the noncurrent liability for Other Postemployment Benefits (OPEB) obligation in the amount of \$482,223. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The components of the net assets consist of unrestricted and reserved for building and building improvements.

The unrestricted reserve of \$87,993 is to stabilize the Collaborative’s cash flow position, especially given the nature of some of the slow paying contracts which the Collaborative has.

The impact of fiscal year 2012 on Southeastern Massachusetts Educational Collaborative’s financial position was a reduction in net assets of \$627,913 primarily due to the recognition of Other Postemployment Benefits (OPEB) obligation of \$482,223.

Summary Statement of Activities and Changes in Net Assets

The following reflects the condensed statement of activities:

	<u>June 30, 2012</u> <u>Governmental</u> <u>Activities</u>	<u>June 30, 2011</u> <u>Governmental</u> <u>Activities</u>
<u>Revenues</u>		
<u>Program revenues:</u>		
Charges for services	\$3,454,121	\$3,117,702
Operating grants	1,700	-
<u>General revenues:</u>		
Tuitions	2,379,271	2,403,031
Miscellaneous	23,216	13,587
Investment income	<u>288</u>	<u>360</u>
<u>Total Revenues</u>	<u>5,858,596</u>	<u>5,534,680</u>
<u>Expenses</u>		
Administration	495,312	321,838
Instruction	1,714,081	1,734,347
Other school services	100,159	124,837
Operations/maintenance	31,874	51,598
Fixed charges	388,043	518,392

Southeastern Massachusetts Educational Collaborative
 Management Discussion and Analysis
June 30, 2012

Government-Wide Financial Analysis (Continued)

Expenses (Continued)

Other postemployment benefits	482,223	-
Health services	2,396	9,415
Acquisition of equipment	2,201	31,903
Depreciation expense	22,543	16,093
Summer programs	91,160	103,202
Grants	1,700	-
S.A.I.L.	2,672,732	2,420,013
ADH	<u>482,085</u>	<u>308,090</u>
<u>Total Expenses</u>	<u>6,486,509</u>	<u>5,639,728</u>
Increase (Decrease) in Net Assets	(<u>627,913</u>)	(<u>105,048</u>)
Net Assets – beginning of year (as previously reported)	1,140,493	1,245,541
Prior Period Adjustment	(<u>53,063</u>)	_____ -
Net Assets – beginning of year (as restated)	<u>1,087,430</u>	_____ -
Net Assets – end of year	\$ <u>459,917</u>	\$ <u>1,140,493</u>

Normal Impacts

There are five basic impacts on revenues and expenses as reflected below.

Revenues

Economic Condition - which can reflect a declining, stable or growing economic environment and has a substantial impact on program and general.

Changing Patterns in Grant Revenue (Both Recurring and Non-recurring) - certain recurring revenues may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year to year comparisons.

Expenses

Introduction of New Programs - within the functional expense categories individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel - changes in service demand may cause the Collaborative to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent approximately 72% of the Collaborative's operating costs.

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Management Discussion and Analysis
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Salary Increases (Cost of Living, Merit and Market Adjustment) - the ability to attract and retain human and intellectual resources requires the Collaborative to strive to approach a competitive salary range position in the marketplace.

Current Year Impacts

Revenues

Major revenue sources of the governmental activities consist of charges for services and tuitions which represented approximately 58.96% and 40.61% of total 2012 revenues, respectively. Charges for services increased 10.79% for the year while tuitions decreased .99% for the year.

Expenses

During the current year total expenses increased by approximately 15.01% from the previous year with the inclusion of the OPEB expense recognition. The increase in total expenses was related mainly to unanticipated higher payroll costs along with the OPEB expense. The overall percentage change for the combined administrative expenses, instruction expenses and fixed charges was an increase of .59% from the previous fiscal year.

As a result, net assets decreased during the year by \$627,913 which was \$522,865 more than the previous year primarily due to the recognition of Other Postemployment Benefits (OPEB) obligation of \$482,223.

Financial Analysis of the Government's Funds

As indicated earlier, all the Collaborative activities are accounted for in one fund, general fund using fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

As the Collaborative completed the year, its governmental funds reported a total fund balance of \$700,440. The fund balance decreased \$195,977 from the last fiscal year.

In addition, cash decreased by \$521,082 and receivables increased by \$261,912, both related to each other. Cash decreased mainly because the Collaborative was due a higher amount of receivables at year end than in the previous fiscal year and because of changes in authorized units for consumers that were not anticipated for a few state contracts which resulted in paying more wages. Receivables were higher because of the timing of when payments were mailed from member and nonmember towns as well as when the state chose to electronically process payments. Also, liabilities decreased by \$63,193. This decrease was related to the timing of when payrolls were actually paid in fiscal years 2011 and 2012. Because of these timing differences, there was a smaller amount of wages accrued in fiscal year 2012.

General Fund Budgetary Highlights

The major differences between the original budget and the final budget were mostly related to payroll costs in the S.A.I.L. budget. Some of the payroll costs in this budget are difficult to forecast because of various factors related to the program such as the changing needs of consumers as well as the unpredictability of employees. Also, health insurance costs increased on September 1, 2011 and June 1, 2012, each by 15% during the fiscal year. In previous fiscal years, the health insurance only increased once per year so that is what was used as the basis for the original budget for fiscal year 2012. Unfortunately, the Collaborative had to adjust the budget to account for two rate increases. The schedule of budgetary information is provided on page 19.

Capital Assets and Debt Administration

The Collaborative's investment in capital assets includes an office building totaling \$294,838 with accumulated depreciation totaling \$70,841 as well as vehicles costing \$131,446 with accumulated depreciation totaling \$39,419. The Collaborative's capitalization policy is to capitalize assets costing \$5,000 or greater with a useful life of 3 years or more. In fiscal year 2012, three vans were purchased: van one had a cost of \$24,999 with accumulated depreciation totaling \$1,956; van two had a cost of \$24,999 with accumulated depreciation totaling \$1,517; and van three had a cost of \$20,454 with accumulated depreciation totaling \$2,502. Therefore, net assets invested in capital assets net of related debt is \$316,024 for the fiscal year.

New Accounting Standards

During the fiscal year ended June 30, 2012, the Collaborative adopted Governmental Accounting Standards Board Statement No. 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The objective of this pronouncement is to require government employers to measure and report the liabilities associated with Other Postemployment Benefits (OPEB). At June 30, 2012, the noncurrent liability for Other Postemployment Benefits (OPEB) obligation actuarially computed was \$482,223.

Economic Factors and Next Year's Budget

The original fiscal year 2013 budget in the amount of \$6,064,900 was approved at the June 13, 2012 board meeting. At the Collaborative's board meeting on September 20, 2012 a total revised budget of \$6,128,864 was approved for fiscal year 2013.

In September 2012, SMEC opened an extension of its Transitional Services Program (TSP II) located at Dartmouth High School with unanimous votes of approval from both the SMEC Board and the Dartmouth School Committee. The TSP II provides transitional employment and life skills training to students ages 17-22 with developmental disabilities. The classroom is staffed by a licensed special education teacher, highly qualified paraprofessionals, a job development specialist and speech pathologist.

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June 30, 2012

Economic Factors and Next Year's Budget (Continued)

In fiscal year 2013, the Collaborative changed health insurance carriers because of savings to employees at the Collaborative that the old insurance carrier could not offer.

In fiscal year 2012, the Collaborative worked on separating administrative and fixed costs to better assist management with their understanding of each fiscal year's budget as well as to provide the necessary detail of allocated amounts to each program. The Collaborative plans on continuing to separate these costs in fiscal year 2013 and future fiscal years. Previously, the Collaborative used budgeting procedures that provided for the preparation of an annual governmental budget for the LEA and S.A.I.L. programs with administrative and fixed costs shown combined. After considering the Collaborative's unique situation, where it is considered a governmental entity but is required to file a UFR, the Collaborative felt that this change would be more beneficial given the nature of the expenses and categories that relate to the administrative and fixed costs.

Requests for information

This financial report is designed to provide a general overview and seeks to demonstrate the Collaborative's accountability for the money it receives. Questions concerning any of the information provided in this report or a request for additional information should be addressed to Catherine S. Cooper, Executive Director at Southeastern Massachusetts Educational Collaborative (SMEC), 12 Welby Road, New Bedford, MA 02745.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southeastern Massachusetts
Educational Collaborative
New Bedford, Massachusetts

We have audited the accompanying financial statements of the governmental activities of Southeastern Massachusetts Educational Collaborative, as of and for the year ended June 30, 2012, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southeastern Massachusetts Educational Collaborative's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As is the practice with many governmental units in the Commonwealth of Massachusetts, the Collaborative follows certain accounting practices, which vary, from accounting principles generally accepted in the United States of America. As described in Note 3 to the financial statements, pension costs are provided on a pay as you go basis, instead of an actuarial basis as required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effects, if any, of the departure and omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Southeastern Massachusetts Educational Collaborative, as of June 30, 2012, and the respective changes in financial position, and, the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2012, on our consideration of the Southeastern Massachusetts Educational 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages one through ten 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeastern Massachusetts Educational Collaborative's financial statements as a whole. The accompanying Statement of Functional Expenses - Supplemental is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have 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 them.

Benoit & McArdle, P.C.

Benoit & McArdle, P.C.
Certified Public Accountants

Marion, Massachusetts
November 16, 2012

Southeastern Massachusetts Educational Collaborative

Statement of Net Assets

June 30, 2012

<u>Assets</u>	<u>Governmental Activities</u>
<u>Current:</u>	
Cash	\$ 303,283
Receivables	479,586
<u>Capital Assets:</u>	
Nondepreciable Assets:	
Land	90,000
Depreciable Assets:	
Buildings	\$ 204,838
Less accumulated depreciation	<u>(70,841)</u>
	133,997
Vehicles	131,446
Less accumulated depreciation	<u>(39,419)</u>
	<u>92,027</u>
<u>Total Assets</u>	<u>\$ 1,098,893</u>
 <u>Liabilities</u>	
<u>Current:</u>	
Accounts payable	\$ 82,429
Due to Commonwealth of Massachusetts	53,063
Note payable	4,465
<u>Noncurrent:</u>	
Other postemployment benefits obligation	482,223
Compensated absences	10,735
Note payable	<u>6,461</u>
<u>Total Liabilities</u>	<u>639,376</u>
 <u>Net Assets</u>	
<u>Net Assets:</u>	
Invested in capital assets, net of related debt	316,024
Restricted	55,500
Unrestricted	<u>87,993</u>
<u>Total Net Assets</u>	<u>\$ 459,517</u>

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

Southeastern Massachusetts Educational Collaborative

Statement of Activities

For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<u>Governmental Activities</u>				
Administration	\$ 495,312	\$ 321,116	-	\$ (174,196)
Instruction	1,714,081	52,299	-	(1,661,782)
Other school services	100,159	-	-	(100,159)
Operations/maintenance	31,874	-	-	(31,874)
Fixed charges	388,043	-	-	(388,043)
Other postemployment benefits	482,223	-	-	(482,223)
Health services	2,396	-	-	(2,396)
Acquisition of equipment	2,201	-	-	(2,201)
Depreciation expense	22,543	-	-	(22,543)
Summer programs	91,160	-	-	(91,160)
Grants	1,700	-	1,700	-
S.A.I.L.	2,671,805	2,546,671	-	(125,134)
S.A.I.L. - Interest on debt	927	-	-	(927)
ADH	<u>482,085</u>	<u>534,035</u>	<u>-</u>	<u>51,950</u>
<u>Total</u>	<u>\$ 6,486,509</u>	<u>\$ 3,454,121</u>	<u>\$ 1,700</u>	<u>(3,030,688)</u>

General Revenues

Tuition	2,379,271
Miscellaneous	23,216
Investment income	<u>288</u>
<u>Total General Revenues</u>	<u>2,402,775</u>
<u>Change in Net Assets</u>	<u>(627,913)</u>
<u>Net Assets - Beginning of Year (as previously reported)</u>	1,140,493
<u>Prior Period Adjustment</u>	<u>(53,063)</u>
<u>Net Assets - Beginning of Year (as restated)</u>	<u>1,087,430</u>
<u>Net Assets - End of Year</u>	<u>\$ 459,517</u>

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

Southeastern Massachusetts Educational Collaborative

Governmental Funds Balance Sheet

June 30, 2012

	<u>General Fund</u>
<u>Assets</u>	
<u>Cash</u>	\$ 303,283
<u>Accounts Receivable:</u>	
Member towns	15,516
Non-member towns	21,905
Commonwealth of Massachusetts	436,010
Self pays and miscellaneous	<u>6,155</u>
<u>Total Assets</u>	<u>\$ 782,869</u>
<u>Liabilities</u>	
<u>Liabilities:</u>	
Accounts payable	\$ 19,701
Accrued payroll	46,863
Payroll withholdings	<u>15,865</u>
<u>Total Liabilities</u>	<u>82,429</u>
<u>Fund Balances</u>	
<u>Fund Balances:</u>	
Assigned	
Sick leave	55,500
Unassigned	<u>644,940</u>
<u>Total Fund Balances</u>	<u>700,440</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 782,869</u>

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

Southeastern Massachusetts Educational Collaborative

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2012

	<u>General Fund</u>
<u>Revenues</u>	
Tuition member	\$ 2,270,140
Tuition non-member	109,131
DDS revenue	2,735,706
MCB revenue	128,272
DESE revenue	33,018
MassHealth revenue	501,017
Professional development	52,299
Consumer self pays	3,809
Grants	1,700
Investment income	288
Miscellaneous	<u>23,216</u>
<u>Total Revenues</u>	<u>5,858,596</u>
 <u>Expenditures</u>	
Administration	493,527
Instruction	1,714,081
Other school services	100,159
Operations/maintenance	31,874
Fixed charges	388,043
Health services	2,396
Acquisition of equipment	2,201
Summer programs	91,160
Grants	1,700
S.A.I.L.	2,726,893
ADH	<u>502,539</u>
<u>Total Expenditures</u>	<u>6,054,573</u>
 <u>Excess (Deficiency) of Revenues Over Expenditures</u>	 (195,977)
 <u>Fund Balance – July 1, 2011</u>	 <u>896,417</u>
 <u>Fund Balance – June 30, 2012</u>	 <u>\$ 700,440</u>

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

Southeastern Massachusetts Educational Collaborative

Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances
to the Statement of Net Assets

For the Year Ended June 30, 2012

Total Governmental Fund Balances	\$ 700,440
<u>Increases</u>	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and are not reported in the funds	\$ 338,092
Depreciation adjustment	<u>(22,068)</u>
<u>Total Increases</u>	316,024
<u>Decreases</u>	
Prior period liability adjustment - Due to Commonwealth of Massachusetts	(53,063)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Other post employment benefits	(482,223)
Compensated absences	(10,735)
Vehicle loan	<u>(10,926)</u>
<u>Total Decreases</u>	<u>(556,947)</u>
<u>Net Assets Governmental Activities</u>	<u>\$ 459,517</u>

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

Southeastern Massachusetts Educational 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, 2012

Net Change in Fund Balance - Total governmental funds:		
Excess (Deficiency) of revenue and other sources over expenditures and other uses		\$ (195,977)
<u>Increases</u>		
Capitalized vehicles	\$ 70,452	
Principal debt payments	<u>4,163</u>	
<u>Total Increases</u>		74,615
<u>Decreases</u>		
Other postemployment benefits	(482,223)	
Depreciation on fixed assets	(22,543)	
Compensated absence	<u>(1,785)</u>	
<u>Total Decreases</u>		<u>(506,551)</u>
<u>Change in Net Assets of Governmental Activities</u>		<u>\$ (627,913)</u>

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

Southeastern Massachusetts Educational Collaborative

Statement of Revenues and Expenditures

Budget and Actual

For the Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Budget</u>		
<u>Revenues and Other Sources</u>				
Tuition member	\$ 2,115,728	\$ 2,115,728	\$ 2,270,140	\$ 154,412
Tuition non-member	106,620	106,620	109,131	2,511
DDS revenue	2,739,300	2,739,300	2,735,706	(3,594)
MCB revenue	128,272	128,272	128,272	-
DESE revenue	-	-	33,018	33,018
MassHealth revenue	479,076	479,076	501,017	21,941
Professional development	30,000	30,000	52,299	22,299
Consumer self pays	10,000	10,000	3,809	(6,191)
Grants	-	-	1,700	1,700
Investment income	-	-	288	288
Miscellaneous	30,000	30,000	23,216	(6,784)
	<u>5,638,996</u>	<u>5,638,996</u>	<u>5,858,596</u>	<u>219,600</u>
<u>Expenditures and Other Uses</u>				
Administration	479,129	479,129	493,527	(14,398)
Instruction	1,661,659	1,733,359	1,714,081	19,278
Other school services	105,950	103,850	100,159	3,691
Operations/maintenance	30,575	31,600	31,874	(274)
Fixed charges	351,935	395,000	388,043	6,957
Health services	5,000	5,000	2,396	2,604
Acquisition of equipment	23,000	4,800	2,201	2,599
Summer programs	129,694	91,204	91,160	44
Grants	1,700	1,700	1,700	-
S.A.I.L.	2,474,009	2,590,850	2,726,893	(136,043)
ADH	438,664	493,684	502,539	(8,855)
	<u>5,701,315</u>	<u>5,930,176</u>	<u>6,054,573</u>	<u>(124,397)</u>
<u>Excess (Deficiency) of Revenue and</u>				
<u>Other Sources Over (Under) Expenditures</u>				
<u>and Other Uses</u>	<u>\$ (62,319)</u>	<u>(291,180)</u>	<u>\$ (195,977)</u>	<u>\$ 95,203</u>
<u>Budget Balancing Item</u>				
From 2012 unexpended cash balance		<u>291,180</u>		
		<u>\$ -</u>		

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

Southeastern Massachusetts Educational Collaborative

Notes to Financial Statements

June 30, 2012

Note 1 - Organization

Southeastern Massachusetts Educational Collaborative is a public educational collaborative formed under provisions of Massachusetts General Law Chapter 40, Section 4E. The Collaborative's primary purpose is to provide special education services to the public school systems of Acushnet, Dartmouth, Fairhaven, Marion, Mattapoisett, Rochester, Old Rochester Regional School District and New Bedford as well as other nonmember school systems.

Note 2 - Summary of Significant Accounting Policies

Reporting Entity

The Southeastern Massachusetts Educational Collaborative is the basic level of government which has fiscal accountability and control over the planning concerns of its member towns. The Collaborative's members have the power to designate management and the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units, as defined in Governmental Accounting Standards Board Statement No.14, which are included in the Collaborative's reporting entity.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the Collaborative. Governmental activities, which are normally supported by assessments and intergovernmental revenues, should be reported separately from business type activities, which rely to a significant extent on fees and charges for support. The Collaborative reports only governmental activities as these activities represent all of the Collaborative's activity and are accounted for using the same basis of accounting.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly

Government-Wide and Fund Financial Statements (Continued)

identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Tuitions and other revenues not properly included among program revenues are reported instead as general revenues.

Governmental Funds Financial Statements

Separate financial statements are provided for Governmental Funds. The Collaborative has only one fund, the General Fund which is its primary operating fund. It accounts for all financial resources of the Collaborative.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tuitions are recognized as revenues in the year billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internal dedicated resources are reported as general revenues rather than program revenues. Likewise general revenues include tuitions.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon thereafter to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and judgments and claims, are recorded only when payment is mature and due.

Accounts Receivable/Revenue Recognition

Southeastern Massachusetts Educational Collaborative has various grants and contracts from state and other local funding sources. Under reimbursement type contracts, the revenue is stated at amounts equivalent to the program expenses incurred, but not in excess of contract amounts. Amounts to be received by the Collaborative are shown as receivables on the Statement of Net Assets.

Capital Assets

Capital assets which include property, vehicles and equipment are reported in the government-wide financial statements.

Capital assets are defined by the Collaborative as assets with an initial, individual cost of more than \$5,000 and an estimated useful life as described below. Capital assets acquired in an unrestricted manner are carried at historical cost and depreciated using the straight-line method over their estimated useful lives. Depreciation is charged to expense. Capital assets acquired in accordance with grant or contract terms are expensed as a period cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property, vehicles and equipment are depreciated using the straight-line method over the following estimated useful lives as follows:

<u>Asset</u>	<u>Years</u>
Building	40
Vehicles	3-5
Equipment	5-7

Budgets and Budgetary Accounting

Southeastern Massachusetts Educational Collaborative follows these procedures in establishing the budgetary data in the financial statements:

- a) Formal budgeting integration is employed as a management control device during the year for the various programs. These budgets are adopted on a basis other than accounting principles generally accepted in the United States of America.
- b) All budgets are submitted by the Executive Director for approval at a formal meeting of the Board of Directors. The Board of Directors then presents any amendments to the budgets at subsequent meetings for approval.
- c) Unused appropriations for all of the above annually budgeted items lapse at the end of the fiscal year.

Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Collaborative. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2012

Deposits and Investments (Continued)

maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust (“MMDT”).

The following summary presents the amount of Collaborative deposits which are fully insured by the FDIC or collateralized with securities held by the financial institution (Category 1), those deposits which are collateralized with securities held by the pledging financial institution’s trust department or agent in the Collaborative’s name (Category 2) and those deposits which are not collateralized or insured by FDIC (Category 3) at June 30, 2012.

	Category			Bank Balance
	1	2	3	
Bank Deposits	<u>\$623,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$623,452</u>

Note 3 - Pension Plans

Teachers and certain administrative and other professional employees of the Collaborative participate, individually, in a contributory retirement plan administered by the Massachusetts Teachers’ Retirement Board. The Collaborative does not contribute to this plan.

Substantially, all other Collaborative employees are members of the Massachusetts State Retirement System. Under the provisions of this retirement plan, employees contribute certain percentages of their pay and are eligible for retirement benefits after meeting the required age and service criteria. The Collaborative contributes to the system an annual amount as directed by the State Division of Public Employee Retirement Administration (PERA), primarily on the basis of projected annual benefit payments (pay as you go). This pay as you go method does not provide for funding of accrued pension liabilities. The Collaborative’s current year covered payroll and total payroll was \$4,335,063. The Collaborative’s contribution to the plan for the year was \$224,318.

Under accounting principles generally accepted in the United States of America, the annual minimum provision for pension costs includes normal cost, interest on unfunded past service cost liability and amortization of unfunded vested benefits for participants in the pension plan.

Member contributions vary depending on date of hire and are based on a percentage of gross regular compensation. For employees who were members:

- 1) Before January 1, 1975 - the contribution rate is 5%
- 2) After January 1, 1975 but prior to January 1, 1984 - the contribution rate is 7%
- 3) After January 1, 1984 but prior to July 1, 1996 - the contribution rate is 8%
- 4) After July 1, 1996 but prior to July 1, 2001 - the contribution rate is 9%
- 5) Beginning July 1, 2001 - new teacher members - contribution rate is 11%

The PERA provides for retirement allowance benefits up to a member’s highest three-year average annual rate of regular compensation. Benefit payments are based upon a member’s age,

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2012

Note 3 - Pension Plans (Continued)

length of creditable service, level of compensation and group classification.

Members become vested after 10 years or more of creditable service. The plan provides for eligible service retirement if the following conditions are met: (1) for an employee hired prior to 1978, attainment of age 55 as an active member and completion of 20 years of service or (2) for an employee hired after 1977, attainment of age 55 as an active member and completion of 10 years of service. The system also provides death and disability benefits.

Note 4 - Sick Pay

Accumulated sick pay for the Executive Director is accrued and vested at 50% of accumulated sick days up to a maximum of 180 days. As of June 30, 2012 the accumulated sick pay for the Executive Director is equal to \$10,735 and is listed under compensated absences on the balance sheet. For all other employees, accumulated sick pay is not accrued in the governmental funds, as employees are not vested and are not paid for unused sick days upon termination of employment although unused sick days may be accumulated to a maximum of 180 days.

Note 5 - Commitments Under Non-Capitalized Leases

Southeastern Massachusetts Educational Collaborative is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Collaborative's account groups.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012.

<u>Year Ending</u> <u>June 30</u>	<u>Amounts</u>
2013	\$161,808
2014	81,222
2015	84,557
2016	88,295
2017	<u>82,430</u>
<u>Totals</u>	<u>\$498,312</u>

Rental expenditures during fiscal year ended June 30, 2012 amounted to \$290,694.

Note 6 - Cash

State and local statutes place certain limitations on the nature of deposits and investments available to the Collaborative. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2012

Note 6 - Cash (Continued)

unconditionally guaranteed by the U.S. Government or Agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Deposits with Financial Institutions

The carrying amount of the Collaborative's deposits with financial institutions was \$303,283 and the bank balance was \$623,452. The bank balance is categorized as follows:

Amount insured by FDIC	<u>\$623,452</u>
<u>Total Bank Balance</u>	<u>\$623,452</u>

Cash - Restricted

Cash held in a separate bank account is restricted for use towards future sick leave and non-capitalized lease liabilities. Also, a fund balance has been designated for this purpose.

Note 7 - Capital Assets

Investment in Capital Assets represents a building at historical cost acquired on August 20, 1998. The total cost of the land and building was \$294,838. Land has been allocated a cost of \$90,000 and is nondepreciable. The building has an allocated cost of \$204,838 and is depreciated using the straight line method over 40 years with an annual depreciation amount of \$5,121. The Collaborative also has vehicles which have been capitalized and are being depreciated over five years using the straight-line method. The depreciation amount was \$16,947 for the year.

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Non-depreciable assets				
Land	\$ 90,000	\$ -	\$ -	\$ 90,000
<u>Depreciable Assets</u>				
Building	204,838	-	-	204,838
Vehicle	<u>60,994</u>	<u>70,452</u>	-	<u>131,446</u>
<u>Total Historical Cost</u>	<u>355,832</u>	<u>70,452</u>	-	<u>426,284</u>
<u>Less: Accumulated Depreciation</u>				
Buildings	65,720	5,121		70,841
Vehicles	<u>22,472</u>	<u>16,947</u>	-	<u>39,419</u>
<u>Total Accumulated Depreciation</u>	<u>88,192</u>	<u>22,068</u>	-	<u>110,260</u>
<u>Governmental Activities Capital</u>				
<u>Assets – Net</u>	<u>\$267,640</u>	<u>\$ 48,384</u>	<u>\$ -</u>	<u>\$316,024</u>

Note 8 - Deferred Compensation Plan

As a political subdivision of the Commonwealth of Massachusetts, the Collaborative is able to offer its employees participation in the Commonwealth of Massachusetts deferred compensation program created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Commonwealth and its political subdivisions, permits them to defer a portion of their salaries until future years. Contributions to the plan are made at the discretion of the Collaborative's Board. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commonwealth of Massachusetts (without being restricted to the provision of benefits under the plan), subject only to the claims of the Commonwealth of Massachusetts general creditors and its political subdivisions participating in the plan. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

It is the opinion of the Commonwealth of Massachusetts that it has no liability for losses under the plan, but it does have the duty of due care which would be required of an ordinary prudent investor. The plan assets are subject to the claims of the Commonwealth of Massachusetts general creditors; however, plan assets have not been used in the past to satisfy such claims.

The assets and liabilities of the deferred compensation plan are included as an Agency Fund in the Commonwealth of Massachusetts financial statements since the Commonwealth of Massachusetts has title to these assets.

The deferred compensation plan is mandatory and in place of social security for the Collaborative's part time employees. All full time staff can voluntarily contribute a dollar amount to the plan.

In addition to the 457 Deferred Compensation Plan, the Collaborative also offers a voluntary 403(b) Retirement Plan to all full time staff through elective deferral contributions via payroll deductions.

Note 9 - Cafeteria Plan

Effective July 1, 2007 the Collaborative adopted a Section 125 Cafeteria Plan (The Plan) for its employees. Employees may elect to enroll in the Plan so that their share of group health insurance and dental benefits are paid with pre-tax dollars.

Note 10 - Note Payable

A note payable has been recorded in the Statement of Net Assets. The note payable is payable in monthly installments of \$424.17 including interest at 6.90% for a 5 year term. Interest paid during the fiscal year was \$927. This note payable is collateralized by a vehicle.

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2012

Note 10 - Note Payable (Continued)

Maturities of long-term debt are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amounts</u>
2013 (Current Maturities)	\$ 4,465
2014	4,788
2015	<u>1,673</u>
Subtotal	10,926
Less: Current Maturities	<u>4,465</u>
Total Long-Term Debt	<u>\$ 6,461</u>

Note 11 - Other Post-employment Benefits (OPEB)

The Collaborative adopted Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions as of July 1, 2011.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, requires governments to account for OPEB, such as medical insurance, dental and life insurance, on an accrual basis. The effect is the recognition of an actuarially required contribution as an expense on the Government-Wide Statement of Activities when a future retiree earns their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Government-Wide Statement of Net Assets over time.

A) A Description of the Retiree Medical Insurance Program

1. Plan Type: Comprehensive medical insurance offered through Blue Cross Blue Shield of Massachusetts.
2. Administrator: Southeastern Massachusetts Educational Collaborative
3. Eligibility: An employee shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service or an employee shall be able to retire with 20 years of service regardless of age.
4. Cost Sharing: 50% of premiums in retirement

B) A Description of the Dental Insurance Program

1. Plan Type: Comprehensive dental
2. Administrator: Southeastern Massachusetts Educational Collaborative
3. Eligibility: Same as above
4. Cost Sharing: 50% of premiums in retirement

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2012

C) A Description of the Retiree Life Insurance Program

1. Plan Type: Group Term Life Insurance - \$5,000
2. Administrator: Southeastern Massachusetts Educational Collaborative
3. Eligibility: Same as above
4. Cost Sharing: 50% of premiums in retirement (one grandfathered participant pays 40%)

D) Retiree Medical, Dental and Life Insurance Contributions

<u>Group</u>	<u>Individual</u>	<u>Family</u>
Medical	50% of Premiums	50% of Premiums
Dental	50% of Premiums	50% of Premiums
Life	50% of Premiums One grandfathered participant pays 40%	N/A

E) Funding Policy

The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2012 fiscal year, total Collaborative premiums plus implicit costs for the retiree medical program are \$30,903.

F) Annual OPEB Cost and Net OPEB Obligation

The Collaborative's annual other post-employment 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 the 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 year, the amount actually contributed to the plan and the change in the Collaborative's net OPEB obligation based on an valuation as of July 1, 2011:

Annual required contribution	\$513,126
Interest on beginning net OPEB obligation	-
Adjustment to annual required contribution	-
Amortization to actuarial (gains) / losses	-
Annual OPEB cost	513,126
Contributions made	(30,903)
Increase in net OPEB obligation	482,223
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$482,223</u>

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2012

F) Annual OPEB Cost and Net OPEB Obligation (Continued)

The Collaborative's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation required for fiscal year 2012 and the three preceding years were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Expected Employer <u>Payments</u>	Increase In OPEB <u>Obligation</u>
6/30/2009	N/A	N/A	N/A
6/30/2010	N/A	N/A	N/A
6/30/2011	N/A	N/A	N/A
6/30/2012	\$513,126	\$30,903	\$482,223
6/30/2013 (est.)	\$543,970	\$41,694	\$502,276
6/30/2014 (est.)	\$576,399	\$52,085	\$524,314

Schedule of Funding Progress:

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b)-(a)</u>	Funded Ratio <u>(a)/(b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>(b)-(a)/(c)</u>
7/01/2008	N/A	N/A	N/A	N/A	N/A	N/A
7/01/2009	N/A	N/A	N/A	N/A	N/A	N/A
7/01/2010	N/A	N/A	N/A	N/A	N/A	N/A
7/01/2011	\$0	\$3,310,007	\$3,310,007	0.00%	\$3,740,064	88.50%
7/01/2012 (est.)	\$0	\$3,752,501	\$3,752,501	0.00%	\$3,852,266	97.41%
7/01/2013 (est.)	\$0	\$4,213,489	\$4,213,489	0.00%	\$3,967,834	106.19%

Fiscal Year Ending June 30, 2012:

	Collaborative Employees and <u>Retirees</u>	<u>Total</u>
OPEB obligation at beginning of year	\$ -	\$ -
Annual OPEB Cost	513,126	513,126
Expected employer payments	30,903	30,903
Increase in OPEB obligation	482,223	482,223
OPEB obligation at end of year	482,223	482,223
APBO at beginning of year	3,310,007	3,310,007

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2012

F) Annual OPEB Cost and Net OPEB Obligation (Continued)

Fiscal Year Ending June 30, 2013:

	Collaborative Employees and <u>Retirees</u>		<u>Total</u>
OPEB obligation at beginning of year	\$ 482,223		\$ 482,223
Annual OPEB Cost	543,970		543,970
Expected Employer Payments	41,694		41,694
Increase in OPEB Obligation	502,276		502,276
OPEB Obligation at end of year	984,499		984,499
APBO at beginning of year	3,752,501		3,752,501

Fiscal Year Ending June 30, 2014:

	Collaborative Employees and <u>Retirees</u>		<u>Total</u>
OPEB obligation at beginning of year	\$ 984,499		\$ 984,499
Annual OPEB Cost	576,399		576,399
Expected Employer Payments	52,085		52,085
Increase in OPEB Obligation	524,314		524,314
OPEB Obligation at end of year	1,508,813		1,508,813
APBO at beginning of year	4,213,489		4,213,489

G) Funded Status and Funding Progress

As of July 1, 2011, the most recent valuation date, the plan was 0.00% funded. The actuarial liability for benefits was \$3,310,007, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,310,007. The covered payroll (annual payroll of active employees covered by the plan) was \$3,740,064 and the ratio of the UAAL to the covered payroll was 88.5%.

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 contributions 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 the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In January 2009, the Commonwealth adopted Chapter 479, which amends Chapter 32B and allows local municipalities to establish an OPEB liability trust fund and a funding schedule for the trust fund.

H) 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 \$4,928,073 or by 48.9% and the corresponding Normal Cost would increase to \$530,770 or by 61.3%. 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 \$2,094,999 or by 36.7% and the corresponding Normal Cost would decrease to \$183,509 or by 44.2%.

I) 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method:
Investment Rate of Return:
Healthcare Trend Rates

Projected Unit Credit
4% per annum (previously N/A)

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2008	11.0%	8.5%
FY 2009	10.0%	8.0%
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption:	2.5% per annum
Annual Compensation Increases:	3.0% per annum
Actuarial Value of Assets:	Market Value
Amortization of UAAL:	Level dollar amortization over 30 years at transition
Remaining Amortization Period:	30 years at July 1, 2011

J) Recognition of OPEB Trust Assets

The Commonwealth of Massachusetts has recently passed legislation allowing municipal entities to establish a trust for Other Than Post-employment Benefits (“OPEB”) under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to prefund the liabilities under GASB 45. To the best of our knowledge, Southeastern Massachusetts Educational Collaborative

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2012

J) Recognition of OPEB Trust Assets (Continued)

has not established an irrevocable trust for the purpose of prefunding liabilities under GASB 45.

K) Impact of Section 9A1/2 of M.G.L. Chapter 32B

For employees who retire on or after January 1, 2011 whenever a retired employee or beneficiary receives a healthcare premium contribution from a governmental 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 correspond 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 we have not attempted to value the impact of prior governmental service at other entities in the Commonwealth of Massachusetts for current employees of the Southeastern Massachusetts Educational Collaborative nor have we attempted to value the impact of prior Southeastern Massachusetts Educational Collaborative employees currently working at other governmental entities in the Commonwealth of Massachusetts.

Note 12 - Fund Balance

During the fiscal year ended June 30, 2011, the Collaborative adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this pronouncement is to enhance the usefulness of fund balance information and provide clearer fund balance classifications.

Fund balance is divided into five classifications based primarily on the extent to which the Collaborative is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Note 12 - Fund Balance (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Commission. Those committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Commission.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Collaborative applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 13 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Collaborative is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the governmental funds are presented as follows:

Assigned	\$ 55,500
Unassigned	<u>644,940</u>
<u>Total Fund Balance</u>	<u>\$700,440</u>

Note 14 - Prior Period Adjustment

The Collaborative has recorded a prior period adjustment to correct contract billing errors for additional services provided to consumers in 2009 and 2010. The errors were due to the inappropriate use of Limited Use Service Agreements by the Massachusetts Department of Developmental Services and the resulting payments to the Collaborative. These payments are to be

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Concluded)
June 30, 2012

Note 14 - Prior Period Adjustment (Continued)

refunded to the Commonwealth of Massachusetts.

The effect on net assets for the year ended June 30, 2011 is a decrease in the change in unrestricted net assets of \$53,063.

The effect on net assets as of July 1, 2011 is a decrease in unrestricted net assets of \$53,063.

Note 15 - Subsequent Events

Management has evaluated the impact of all subsequent events on the Collaborative through November 16, 2012, the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment in the financial statements. However the following note does require disclosure:

Line of Credit

On July 24, 2012, the Collaborative was approved for a line of credit agreement with a bank that provides for secured borrowings of up to \$200,000. The secured line of credit is on a revolving basis, and is payable on demand and will be subject to review on an annual basis for renewal. As collateral for the loan, The Collaborative will grant the bank a valid first mortgage on the property located in New Bedford, Massachusetts along with the assignment of rents and leases. In addition, The Collaborative will grant the bank a valid first security interest in all business assets. The principal amount of the loan outstanding will bear interest at an annual floating rate using the national prime rate plus .50% per annum.

BENOIT & McARDLE, P.C.
Certified Public Accountants

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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
Southeastern Massachusetts Educational
Collaborative
New Bedford, Massachusetts

We have audited the financial statements of the governmental activities of Southeastern Massachusetts Educational Collaborative, as of and for the year ended June 30, 2012, which collectively comprise the Southeastern Massachusetts Educational Collaborative's basic financial statements and have issued our report thereon dated November 16, 2012. 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.

Internal Control Over Financial Reporting

Management of Southeastern Massachusetts Educational Collaborative is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southeastern Massachusetts Educational Collaborative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeastern Massachusetts Educational Collaborative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeastern Massachusetts Educational Collaborative's internal control over financial reporting.

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.

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

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern Massachusetts Educational Collaborative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of Southeastern Massachusetts Educational Collaborative in a separate letter dated November 16, 2012.

This report is intended solely for the information and use of the Southeastern Massachusetts Educational Collaborative Board, management, others within the organization, the Commonwealth of Massachusetts Department of Education and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Benoit & McArdle, P.C.

Benoit & McArdle, P.C.
Certified Public Accountants

Marion, Massachusetts
November 16, 2012

Southeastern Massachusetts Educational Collaborative
 Supplementary Information
 June 30, 2012

Disclosures Required By the Commonwealth of Massachusetts
Chapter 43 of The Acts of 2012 of the Massachusetts General Laws

1. Transactions between the Collaborative and any related for-profit or non-profit organization

None

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

Acushnet Public Schools	\$ 25,315
Dartmouth Public Schools	6,617
Fairhaven Public Schools	6,617
271 Alden Road, Fairhaven, MA	15,624
Ledgewood Commons	13,600
Olympia Tower Housing	64,855
12 Welby Road, New Bedford, MA	<u>135,662</u>
	<u>\$268,290</u>

3. The names, duties, and total compensation of the 5 most highly compensated employees

<u>Employee</u>	<u>Title</u>	<u>Compensation</u>
Catherine Cooper	Executive Director	\$126,295
Karen Stern	Program Director S.A.I.L. & ADH	100,656
Michelle Goettlich	Student Services Director	81,322
Nelson Cordeiro	Assistant Program Director S.A.I.L.	73,599
Lynn Garcia	Speech Pathologist	71,781

Description of Duties

Executive Director - Responsible for all matters of decision and administration which come within the scope as executive officer. Responsibilities include but are not limited to: confirming that the Collaborative is in compliance with federal and state laws, as applicable; assistance in preparing the Collaborative budgets; overseeing the accounting department; overseeing all programs; and reviewing and submitting monthly attendance records for adult services programs.

Program Director S.A.I.L. & ADH - Responsible for the S.A.I.L. and ADH programs. Responsibilities include but are not limited to: reviewing pre and post ISP paperwork; completing and submitting monthly Department of Developmental Services' census paperwork; completing monthly ESDR reports; completing monthly attendance records for adult services programs; and oversight of personnel and consumers within the adult services programs.

Southeastern Massachusetts Educational Collaborative
Supplementary Information
June 30, 2012

Disclosures Required By the Commonwealth of Massachusetts
Chapter 43 of The Acts of 2012 of the Massachusetts General Laws (Concluded)

3. The names, duties, and total compensation of the 5 most highly compensated employees (continued)

Description of Duties (continued)

Student Services Director - Responsible for all LEA funded school-year and summer programs. Responsibilities include but are not limited to: supervising and coordinating the overall day-to-day operations and maintenance of all LEA funded school-year and summer programs; supervising and evaluating all professional staff within the LEA funded programs; supervising the IEP process and maintenance of student records for all LEA funded students; and confirming that the LEA programs are in compliance with MA Curriculum Frameworks as well as the Department of Elementary and Secondary Education guidelines and procedures, as applicable.

Assistant Program Director S.A.I.L. - Responsible for the S.A.I.L. program as assistant to the Program Director. Responsibilities include but are not limited to: overseeing aspects of the S.A.I.L. budget; review of agency incident reports and HCSIS reports; submitting monthly ESDR reports; review of timesheets and assigned contract hours; and oversight of personnel and consumers within the adult services programs.

Speech Pathologist - Responsible for providing direct therapeutic services for specific students identified as having speech/language deficits. Responsibilities include but are not limited to: providing direct instruction in accordance with students' IEP; providing demonstration therapy and program monitoring to facilitate the implementation of developed programs; and developing long and short term speech, language and auditory goals/objectives for individual students.

4. The amounts expended on administration and overhead

Administration and Overhead	\$495,312
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5. Any accounts held by the Collaborative that may be spent at the discretion of another person or entity

None

6. Amounts expended on services for individuals age 22 and older

For fiscal year 2012, the S.A.I.L. program expended \$2,722,730 and the ADH program expended \$502,539.