

Southeastern Massachusetts Educational Collaborative

Table of Contents

Year Ended June 30, 2016

	<u>Page</u>
Management Discussion and Analysis	1-11
Independent Auditor's Report	12-14
Statement of Net Position	15
Statement of Activities	16
Governmental Funds Balance Sheet	17
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	18
Statement of Net Position – Fiduciary Fund	19
Statement of Changes in Net Position – Fiduciary Fund	20
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues and Expenditures – Budget and Actual	23
Notes to Financial Statements	24-48
Supplementary Information	
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	49-50
Disclosures Required by the Commonwealth of Massachusetts Chapter 43 of The Acts of 2012 of the Massachusetts General Laws	51-53

Southeastern Massachusetts Educational Collaborative

Required Supplementary Information

Management Discussion and Analysis

June 30, 2016

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 \$2,974,850 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 continue their support of the Collaborative's S.A.I.L. (Supporting Adults for Inclusive Living) program through various service contracts totaling \$4,263,316 for the fiscal year.
- MassHealth supports the Adult Day Health (ADH) Program by funding tuition based on consumer's attendance as well as reimbursing for transportation costs. Also, the Department of Elementary and Secondary Education reimburses food costs for this program. MassHealth payments totaled \$659,419 for tuition and transportation costs and the Department of Elementary and Secondary Education reimbursed the Collaborative \$44,930 for food costs during the fiscal year.
- The assets of the Collaborative exceeded its liabilities at the close of the fiscal year by \$150,816 (net position).

Collaborative Highlights

During fiscal year 2016, some of the Collaborative's highlights included:

- The Collaborative's S.A.I.L. (Supporting Adults for Inclusive Living) program, Adult Day Health program (ADH) and administrative offices were relocated to a new building located in Dartmouth, MA.
- The Department of Elementary and Secondary Education (DESE) performed their coordinated program review during fiscal year 2016. Out of a combined total of 31 criteria for Special Education and Civil Rights, the Collaborative was found to have full implementation of 26 standards and partial implementation of 5 standards. There were no findings of "not implemented". The 5 standards of partial implementation have been addressed through the corrective action process.
- The Collaborative began the licensing process with DESE for a public day school license as well as renovations to accommodate a new elementary education public day school program to be located at the Collaborative's building on Acushnet Ave in New Bedford, MA. This program will begin in September 2016 (fiscal year 2017).
- Per Executive Order No. 536 which established Chapter 257 of the Acts of 2008 Provider and Consumer Advisory Council, "Chapter 257 was intended to establish payment rates that are reasonable and adequate to meet the costs which are incurred by efficiently and economically operated social service program providers and take into account factors, including, but not limited to the reasonable cost to providers of any existing or new governmental mandates, a cost adjustment factor to reflect changes in reasonable costs of goods and services of social service programs including those attributed to inflation, and geographic differences in wages, benefits, housing and real estate costs within the Commonwealth." Per the April 2014 Chapter 257 rate implementation update plan, the Executive Office of Health and Human Services (EOHHS) planned on enacting new rates at different times during a two year period for many different contracts. At this same time, the EOHHS also set up a review schedule for enacted rates for several of the Collaborative's contracts. As a result, the Collaborative received retroactive payments during fiscal year 2016 for the contracts that had a rate review scheduled during the fiscal year.
- During fiscal year 2016 the formal process began to include the Greater New Bedford Regional Vocational Technical High School as an additional member of the Collaborative. The Articles of Agreement were amended to add the high school as a member after being approved by all board members and required school committees. The final approval was granted by the Department of Elementary and Secondary Education (DESE) at the end of the fiscal year. The Greater New Bedford Regional Vocational Technical High School's membership will begin at the start of the next fiscal year, July 1, 2016.

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 15 & 16	Fund Financial Statements Pages 17 & 18
	Notes to Financial Statements (expanded/restricted) Pages 24-48	
Other Required Supplementary Information	Pages 49-53	

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.

Government-Wide Financial Statements (Continued)

The statement of net position presents all of the government's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Collaborative's net position 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 position changed during the most recent fiscal year. All changes in net position 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.

Governmental Funds

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 Financial Statements (Continued)

Governmental Funds (Continued)

fund balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on pages 22 and 23.

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.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Collaborative. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Collaborative's programs. The Collaborative's fiduciary activities consist primarily of amounts maintained in a trust fund for funding of future insurance costs related to retirees, referred to as the "other post-employment benefits" (OPEB) trust fund.

The basic fiduciary fund financial statements can be found immediately following the governmental fund financial 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.

Southeastern Massachusetts Educational Collaborative
Management Discussion and Analysis
June 30, 2016

Government-Wide Financial Analysis

	<u>Summary Statement of Net Position</u> <u>Governmental Activities</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current and other assets	\$1,692,844	\$1,530,873
Capital assets, net of accumulated depreciation	<u>393,225</u>	<u>390,682</u>
<u>Total Assets</u>	<u>2,086,069</u>	<u>1,921,555</u>
Current liabilities	194,150	104,620
Noncurrent liabilities		
Other post-employment benefits	1,725,892	1,565,422
Other	<u>15,211</u>	<u>13,209</u>
<u>Total Liabilities</u>	<u>1,935,253</u>	<u>1,683,251</u>
<u>Net Position</u>		
Net investment in capital assets	393,225	389,861
Restricted	50,000	50,000
Unrestricted	(292,409)	(201,557)
<u>Total Net Position</u>	<u>\$ 150,816</u>	<u>\$ 238,304</u>

Normal Impacts

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

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

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

Spending of Borrowed Proceeds - which will a) reduce current assets and increase capital assets and b) will increase the investment in capital assets and increase related net debt which will not change the net investment in capital assets.

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 position and increase the net investment in capital assets.

Principal Payment on Debt - which will a) reduce current assets and reduce long-term debt and b) reduce unrestricted net position and increase the net investment in capital assets.

Reduction of Capital Assets through Depreciation - which will reduce capital assets and the net investment in capital assets.

Southeastern Massachusetts Educational Collaborative
Management Discussion and Analysis
June 30, 2016

Government-Wide Financial Analysis (Continued)

Current Year Impacts

Net Position - The total net position of the Collaborative exceeded its liabilities for the year ended June 30, 2016 by \$150,816 (presented as “net position”) which included an Other Post-employment Benefits (OPEB) obligation, in the amount of \$1,725,892, as the result of adopting GASB 45 in fiscal year 2012. Of this amount, \$(292,409) was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Collaborative’s ongoing obligations to member towns and creditors.

In fiscal year 2016, the Collaborative’s total net position decreased by \$87,488. This decrease included the recognition of additional net Other Post-employment Benefits (OPEB) expense in the net amount of \$160,470 (actuarially calculated annual OPEB cost \$198,450 less actual payments for current retirees of \$37,980). As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The components of the net position consist of unrestricted and reserved for building and building improvements.

The impact of fiscal year 2016 on the Collaborative’s financial position was a reduction in net position of \$87,488 primarily due to the recognition of Other Post-employment Benefits (OPEB) obligation of \$1,725,892.

Southeastern Massachusetts Educational Collaborative
 Management Discussion and Analysis
 June 30, 2016

Government-Wide Financial Analysis (Continued)

Summary Statement of Activities and Changes in Net Position

The following reflects the condensed statement of activities:

	<u>June 30, 2016</u> <u>Governmental</u> <u>Activities</u>	<u>June 30, 2015</u> <u>Governmental</u> <u>Activities</u>
<u>Revenues</u>		
<u>Program revenues:</u>		
Charges for services	\$4,970,829	\$4,780,397
Operating grants and contributions	1,034,271	503,642
<u>General revenues:</u>		
Tuitions	2,974,850	2,539,552
Miscellaneous	79,225	10,173
Investment income	404	446
<u>Total Revenues</u>	<u>9,059,579</u>	<u>7,834,210</u>
<u>Expenses</u>		
Administration	769,359	706,279
Instruction	1,801,554	1,711,272
Other school services	129,526	62,340
Operations/maintenance	40,698	50,268
Fixed charges	1,423,688	826,275
Other post-employment benefits	160,470	142,649
Health services	166,920	33,434
Acquisition of equipment	-	12,464
Depreciation expense	64,465	63,793
Summer programs	119,819	91,372
Grants	3,377	4,568
S.A.I.L.	3,807,095	3,560,832
ADH	660,096	627,652
<u>Total Expenses</u>	<u>9,147,067</u>	<u>7,893,198</u>
Decrease in Net Position	(87,488)	(58,988)
Net Position – beginning of year	<u>238,304</u>	<u>297,292</u>
Net Position – end of year	<u>\$ 150,816</u>	<u>\$ 238,304</u>

Government-Wide Financial Analysis (Continued)

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 63% of the Collaborative's operating costs.

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 the purchase of service revenue and tuitions which represented approximately 55% and 33% of total 2016 revenues, respectively. Purchase of service revenue increased 4% for the year and tuition revenue increased 17% for the year.

Expenses

During the current year total expenses without intergovernmental on behalf payments increased about 10% from the previous year including additional OPEB expense recognition for both years. Payroll and related fringe benefits increased respectively with the increase in funding from the state as well as an increase in tuitions.

Southeastern Massachusetts Educational Collaborative
Management Discussion and Analysis
June 30, 2016

Government-Wide Financial Analysis (Continued)

Expenses (continued)

The overall percentage change for the combined administrative expenses, instruction expenses and fixed charges was an increase of 7% from the previous fiscal year. As a result, net position decreased during the year by \$87,488 which was \$28,500 more than the previous year. The change in net position between the two fiscal years is primarily due to the state's implementation of new rates for two contracts per Chapter 257 of the Acts of 2008. This implementation allowed the Collaborative to increase its pay scale for S.A.I.L. employees as well as to increase other related expenses to aide in the growth of the Collaborative's programs and to fund a new program to begin September 2016.

Financial Analysis of the Collaborative's Funds

As indicated earlier, all the Collaborative activities are accounted for in the 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 \$1,396,962 of which \$1,346,962 is unassigned. The fund balance increased \$22,156 from the previous fiscal year. In addition, cash decreased by \$68,723 and accounts receivable increased by \$181,230, both related to each other. The accounts receivable increase was due to a higher amount of receivables at year end than in the previous fiscal year because of timing of when invoices were mailed and payments were received near year end. Also, liabilities increased by \$90,351. This increase was related to payables due near year end for the new program beginning September 2016 as well as payables related to the move of the administrative office, S.A.I.L. program & ADH program.

General Fund Budgetary Highlights

The major differences between the original budget and the final budget were mostly related to payroll costs. Some of the payroll costs in this budget are difficult to forecast because of various factors related to the programs such as the changing needs of consumers and students as well as the unpredictably of employees. The schedule of budgetary information is provided on page 24.

Capital Assets and Debt Administration

The Collaborative's investment in capital assets includes an office building totaling \$294,838 with accumulated depreciation totaling \$91,325, vehicles costing \$384,390 with accumulated

Capital Assets and Debt Administration (Continued)

depreciation totaling \$223,833 as well as security equipment totaling \$41,290 with accumulated depreciation of \$12,135. 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 2016, three vans were purchased. Van One had a cost of \$12,464 with accumulated depreciation totaling \$2,125; Van Two had a cost of \$24,117 with accumulated depreciation totaling \$2,412; and Van Three had a cost of \$9,360 with accumulated depreciation totaling \$156. The two vans purchased using financing through American Honda Finance in fiscal year 2013 had related debt at the end of the fiscal year in the amount of \$-0-. Therefore, net position in the net investment in capital assets is \$393,225 for the fiscal year.

Economic Factors and Next Year's Budget

The original Administrative Budget for fiscal year 2017 was approved at the May 31, 2016 board meeting in the amount of \$802,707; the original Student Services Budget for fiscal year 2017 was approved at the May 31, 2016 board meeting in the amount of \$3,422,767 of which \$311,161 was allocated as administrative costs; the original S.A.I.L. Budget was approved at the May 31, 2016 board meeting in the amount of \$4,464,532 of which \$443,546 was allocated as administrative costs; and the original ADH Budget was approved at the May 31, 2016 board meeting in the amount of \$756,655 of which \$48,000 was allocated as administrative costs.

At the request of its member districts, the Collaborative will begin a new elementary public day school program in September 2016. The program will be called the Therapeutic Learning Center (TLC) and will serve students in grades 1-4 with significant social/emotional and behavioral disabilities. The Collaborative will make improvements to its building on Acushnet Avenue in New Bedford to accommodate this younger population. A public day school license application will be submitted to the DESE for approval prior to student enrollment and staff will be hired during the summer of 2016 anticipating a September opening.

The Collaborative will be moving its Transitional Services Program (TSP) to a new location during fiscal year 2017. A building known as the Tripp School in Fairhaven is expected to become available for lease during the early part of fiscal year 2017 and the Fairhaven School Committee has indicated its willingness to enter into a lease agreement with the Collaborative. In the interim, the TSP will temporarily occupy the Collaborative's former leased building at 12 Welby Road in New Bedford until the Tripp School building is vacated by its former tenant and a lease is executed between the Collaborative and the Fairhaven Public Schools.

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), 25 Russell Mills Road, Dartmouth, MA 02748.

BENOIT & McARDLE, P.C.
Certified Public Accountants

James N. Benoit, CPA
Joseph L. McArdle, Jr., CPA

240 Wareham Road ~ P.O. Box 1037
Marion, Massachusetts 02738
Phone: (508) 748-1611
Fax: (508) 748-2216

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Southeastern Massachusetts
Educational Collaborative
Dartmouth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Southeastern Massachusetts Educational Collaborative, Dartmouth, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (Continued)

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Southeastern Massachusetts Educational Collaborative, Dartmouth, Massachusetts, as of June 30, 2016, and the respective changes in financial position, and, the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 11 and page 23 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 opinions on the financial statements that collectively comprise the Southeastern Massachusetts Educational Collaborative's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information (Continued)

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2016, on our consideration of 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 in considering Southeastern Massachusetts Educational Collaborative's internal control over financial reporting and compliance.

Benoit & McArdle, P.C.

Benoit & McArdle, P.C.
Certified Public Accountants

Marion, Massachusetts
November 15, 2016

Southeastern Massachusetts Educational Collaborative

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
<u>Assets</u>	
<u>Current Assets:</u>	
Cash	\$ 438,881
Receivables	1,152,231
Prepaid expenses	101,732
<u>Total Current Assets</u>	<u>1,692,844</u>
<u>Non-current Assets:</u>	
Capital assets, net of accumulated depreciation	393,225
<u>Total Assets</u>	<u>\$ 2,086,069</u>
<u>Liabilities</u>	
<u>Current Liabilities:</u>	
Accounts payable	
Trade	\$ 188,731
Employees	5,419
<u>Total Current Liabilities</u>	<u>194,150</u>
<u>Long-term Liabilities:</u>	
Other post-employment benefits obligation	1,725,892
Compensated absences	15,211
<u>Total Long-term Liabilities</u>	<u>1,741,103</u>
<u>Total Liabilities</u>	<u>1,935,253</u>
<u>Net Position</u>	
<u>Net Position:</u>	
Net investment in capital assets	393,225
Restricted	50,000
Unrestricted	(292,409)
<u>Total Net Position</u>	<u>\$ 150,816</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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<u>Governmental Activities</u>				
Administration	\$ 769,359	\$ 476,929	\$ -	(292,430)
Instruction	1,801,554	-	-	(1,801,554)
Other school services	129,526	-	-	(129,526)
Operations/maintenance	40,698	-	-	(40,698)
Fixed charges	392,794	-	-	(392,794)
Intergovernmental on behalf payments	1,030,894	-	1,030,894	-
Other post-employment benefits	160,470	-	-	(160,470)
Health services	166,920	-	-	(166,920)
Depreciation expense	64,465	-	-	(64,465)
Summer programs	119,819	-	-	(119,819)
Grants	3,377	-	3,377	-
S.A.I.L.	3,807,095	3,789,551	-	(17,544)
ADH	660,096	704,349	-	44,253
<u>Total</u>	<u>\$ 9,147,067</u>	<u>\$ 4,970,829</u>	<u>\$ 1,034,271</u>	<u>(3,141,967)</u>
 <u>General Revenues</u>				
				2,974,850
Tuitions				79,225
Miscellaneous				404
Investment income				<u>404</u>
<u>Total General Revenues</u>				<u>3,054,479</u>
<u>Change in Net Position</u>				<u>(87,488)</u>
<u>Net Position - Beginning</u>				<u>238,304</u>
<u>Net Position - Ending</u>				<u>\$ 150,816</u>

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

Southeastern Massachusetts Educational Collaborative

Governmental Funds Balance Sheet

June 30, 2016

	<u>General Fund</u>
<u>Assets</u>	
<u>Cash</u>	\$ 438,881
<u>Accounts Receivable</u>	
Member towns	633,884
Non-member towns	66,171
Commonwealth of Massachusetts	441,843
Self pays and miscellaneous	<u>10,333</u>
<u>Total Assets</u>	<u>\$ 1,591,112</u>
<u>Liabilities</u>	
<u>Accounts payable</u>	
Trade	\$ 83,665
Employees	5,419
<u>Accrued payroll</u>	92,675
<u>Payroll withholdings</u>	<u>12,391</u>
<u>Total Liabilities</u>	<u>194,150</u>
<u>Fund Balances</u>	
<u>Committed</u>	
Capital Reserve	50,000
<u>Unassigned</u>	<u>1,346,962</u>
<u>Total Fund Balances</u>	<u>\$ 1,396,962</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 1,591,112</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, 2016

	<u>General Fund</u>
<u>Revenues</u>	
Tuition member	\$ 2,694,612
Tuition non-member	280,238
DDS revenue	4,131,535
MCB revenue	131,781
DESE revenue	44,930
MassHealth revenue	659,419
Intergovernmental on behalf payments	1,030,894
Professional development	40,090
Consumer self pays	3,164
Grants	3,377
Investment income	404
Miscellaneous	39,135
<u>Total Revenues</u>	<u>9,059,579</u>
<u>Expenditures</u>	
Administration	765,227
Instruction	1,801,554
Other school services	129,526
Operations/maintenance	83,383
Fixed charges	377,189
Intergovernmental on behalf payments	1,030,894
Health Services	166,920
Grant	3,377
Acquisition of equipment	47,172
Summer programs	119,819
S.A.I.L.	3,853,901
ADH	658,461
<u>Total Expenditures</u>	<u>9,037,423</u>
<u>Excess of Revenues Over Expenditures</u>	22,156
<u>Other Financing Sources (Uses)</u>	
None	-
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>
<u>Net Change in Fund Balance</u>	22,156
<u>Fund Balance – July 1, 2015</u>	<u>1,374,806</u>
<u>Fund Balance – June 30, 2016</u>	<u>\$ 1,396,962</u>

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

Southeastern Massachusetts Educational Collaborative

Statement of Net Position - Fiduciary Fund

June 30, 2016

	<u>OPEB Trust Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 2,305
Investments at market value	<u>136,897</u>
<u>Total Assets</u>	<u>\$ 139,202</u>
<u>Net Position</u>	
Amounts held in trust - Restricted for OPEB	<u>\$ 139,202</u>
<u>Total Net Position</u>	<u>\$ 139,202</u>

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

Southeastern Massachusetts Educational Collaborative

Statement of Changes in Net Position - Fiduciary Fund

For the Year Ended June 30, 2016

	<u>OPEB Trust Fund</u>
<u>Additions</u>	
Contributions	\$ _____ -
Investment Earnings:	
Net Increase in Fair Value of Investments	5,517
Investment income	<u>1,827</u>
Total Investment Earnings	7,344
Less Investment Expenses	<u>(433)</u>
Net Investment Earnings	<u>6,911</u>
Total Additions	<u>6,911</u>
<u>Deductions</u>	
Benefits and Administrative Expenses	_____ -
Total Deductions	_____ -
<u>Change in Net Position</u>	6,911
<u>Net Position at Beginning of Year</u>	<u>132,291</u>
<u>Net Position at End of Year</u>	<u>\$ 139,202</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 Position

For the Year Ended June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Total Governmental Fund Balances	\$ 1,396,962
----------------------------------	--------------

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 720,518	
Accumulated depreciation	<u>(327,293)</u>	
		393,225

Governmental funds report expenditures when paid but the Statement of
Activities does not report the same expenditures until the year they are used

Prepaid expenses	<u>101,732</u>	
		101,732

Long-term liabilities used in governmental activities are not financial uses
and therefore are not reported in the governmental funds.

Other post employment benefits	(1,725,892)	
Compensated absences	<u>(15,211)</u>	
		<u>(1,741,103)</u>

<u>Net Position of Governmental Activities</u>	<u>\$ 150,816</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, 2016

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - Total governmental funds:

Excess of revenue and other sources over expenditures and other uses \$ 22,156

Governmental funds report expenditures when paid. However, in the Statement of Activities these expenditures are expensed in the year they are used.

Prepaid expenses 49,464

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capitalized vehicles	45,941	
Capitalized equipment	21,067	
Depreciation on fixed assets	<u>(64,465)</u>	
		2,543

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of government funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related amounts.

Principal debt payments 821

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Other post-employment benefits annual cost	(198,450)	
Other post-employment benefits current payments	37,980	
Compensated absence	<u>(2,002)</u>	
		<u>(162,472)</u>

Total Changes in Net Position of Governmental Activities \$ (87,488)

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, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Tuition member	\$ 2,620,267	\$ 2,620,267	\$ 2,694,612	\$ 74,345
Tuition non-member	234,038	234,038	280,238	46,200
DDS revenue	4,037,159	4,037,159	4,131,535	94,376
MCB revenue	129,661	129,661	131,781	2,120
DESE revenue	35,723	35,723	44,930	9,207
MassHealth revenue	643,437	643,437	659,419	15,982
Intergovernmental on behalf payments	-	-	1,030,894	1,030,894
Professional development	20,000	20,000	40,090	20,090
Consumer self pays	-	-	3,164	3,164
Grants	-	-	3,377	3,377
Investment income	-	-	404	404
Miscellaneous	20,000	20,000	39,135	19,135
	<u>7,740,285</u>	<u>7,740,285</u>	<u>9,059,579</u>	<u>1,319,294</u>
<u>Expenditures</u>				
Administration	780,961	798,438	765,227	33,211
Instruction	1,870,852	1,874,641	1,801,554	73,087
Other school services	95,081	140,332	129,526	10,806
Operations/maintenance	43,661	64,776	83,383	(18,607)
Fixed charges	364,484	366,884	377,189	(10,305)
Intergovernmental on behalf payments	-	-	1,030,894	(1,030,894)
Health services	139,656	165,231	166,920	(1,689)
Grant	-	-	3,377	(3,377)
Acquisition of equipment	-	-	47,172	(47,172)
Summer programs	124,540	124,540	119,819	4,721
S.A.I.L.	3,720,559	3,864,792	3,853,901	10,891
ADH	645,827	645,827	658,461	(12,634)
	<u>7,785,621</u>	<u>8,045,461</u>	<u>9,037,423</u>	<u>(991,962)</u>
<u>Excess of Revenue Over (Under) Expenditures</u>	<u>(45,336)</u>	<u>(305,176)</u>	<u>22,156</u>	<u>327,332</u>
<u>Other Financing Sources (Uses)</u>				
Use of cumulative surplus	60,000	130,451	-	(130,451)
<u>Total Other Financing Sources (Uses)</u>	<u>60,000</u>	<u>130,451</u>	<u>-</u>	<u>(130,451)</u>
<u>Net Change in Fund Balances</u>	<u>\$ 14,664</u>	<u>\$ (174,725)</u>	<u>\$ 22,156</u>	<u>\$ 196,881</u>

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

Southeastern Massachusetts Educational Collaborative

Notes to Financial Statements

June 30, 2016

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, New Bedford and starting in fiscal year 2017, Greater New Bedford Regional Vocational Technical High School 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 certain 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 Position 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

Note 2 - Summary of Significant Accounting Policies (Continued)

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's primary operating fund is the General Fund. It accounts for all financial resources of the Collaborative.

Fiduciary Funds Financial Statements

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles applicable to those similar to business in the private sector. The following is a description of the fiduciary fund of the Collaborative:

OPEB Trust Fund – Accounts for resources held in trust for providing future benefits for “other post-employment benefits” in the form of health insurance for eligible retired employees. Pursuant to Massachusetts General Laws, amounts set aside in this trust fund are legally restricted solely for funding this future obligation – see Note 7.

The Collaborative's fiduciary fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party, retirees, and cannot be used to address activities or obligations of the Collaborative, these funds are not incorporated into the government-wide statements.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 Position.

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	5
Equipment	5-7

Note 2 - Summary of Significant Accounting Policies (Continued)

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 including amendments are submitted by the Executive Director for approval at a formal meeting of the Board of Directors.
- 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 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, 2016.

	<u>Category</u>			<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>
Bank Deposits	<u>\$405,280</u>	<u>\$393,950</u>	<u>\$ -</u>	<u>\$799,230</u>

Deferred Revenue

Deferred revenue consists of amounts received from a member town for programs which have not yet been earned under the terms of the agreement.

Note 3 - Pension Plans

Collaborative employees participate in either the Massachusetts Teachers' Retirement System (MTRS) or Massachusetts State Employees' Retirement System (MSERS), determined by the program they are employed at within the Collaborative and the number of hours they work. Both pension plans are governed by Massachusetts General Law Chapter 32 and are contributory defined benefit retirement plans requiring mandatory membership beginning with employment of all Collaborative employees working more than half time.

The Massachusetts Public Employee Retirement Administration Commission (PERAC) was created for and is dedicated to the oversight and guidance, monitoring, and regulation of the Massachusetts Public Pension Systems (including but not limited to MTRS & MSERS). Separate audit reports and valuation reports for each retirement system as well as annual reports for the PERAC are available online at www.mass.gov/perac or by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, MA 02145.

Massachusetts Teachers' Retirement System (MTRS)

Plan Description

MTRS provides retirement, disability and survivor benefits to Massachusetts teachers, administrators and their families.

Eligible members include anyone employed as a teacher or administrator in a Massachusetts public school outside the City of Boston or in any educational collaborative in Massachusetts. The member must be covered by a contractual agreement regarding their employment, employed on at least a half time basis, be certified by the Department of Elementary and Secondary Education and have a contractual agreement that requires they be certified by the Department of Elementary and Secondary Education as a condition of their employment.

The MTRS Board issues publicly available financial reports that can be obtained at www.mass.gov/mtrs.

Benefits Provided

Regular retirement allowance (also referred to as "superannuation") is based on the effective date of membership in the Massachusetts public retirement system, the numbers of years of creditable service and the member's age, depending on the effective membership date. The retirement benefits are based on the average of either the member's highest salaries or last salaries, either for three years if they are a Tier 1 member or five years if they are a Tier 2 member. Tier 1 membership is related to members that established their membership before April 2, 2012 and Tier 2 membership is related to members that established their membership on or after April 2, 2012. For members in the Tier 1 category, they are eligible to retire when

Note 3 - Pension Plans (Continued)

Massachusetts Teachers' Retirement System (Continued)

Benefits Provided (Continued)

the member has 20 or more years of creditable service, regardless of their age or are at least age 55 and have 10 or more years of creditable service. For members in the Tier 2 category, they are eligible to retire when the member has reached age 60 and have 10 or more years of creditable service.

Contributions

MTRS benefits come from three sources: employee contributions, investment earnings on the Pension Reserves Investment Trust (PRIT) and employer contributions. The Commonwealth of Massachusetts makes an annual appropriation from tax revenues for the payment of public employee retirement benefits. For the purposes of retirement benefits, the Commonwealth of Massachusetts is the "employer" for public teachers. Also, local school district employers, like the Collaborative, do not contribute towards their teachers' retirement benefits.

Member contribution rates are established by the Commonwealth of Massachusetts' retirement law (Chapter 32 of the Massachusetts General Laws) and are determined by the date on which the member most recently became eligible for membership in Massachusetts.

Member contributions vary depending on date of hire and are based on a percentage of gross regular compensation. The contribution rates can vary from 5% to 11% as listed below:

<u>Effective Membership Date</u>	<u>(Not participating in RetirementPlus*) MTRS Membership Contribution Rates</u>
April 2, 2012 and thereafter	9% plus 2% of earnings over \$30,000 <i>After 30 years of service, decreases to 6% plus 2% of earnings over \$30,000</i>
July 1, 2001 – April 1, 2012	9% plus 2% of earnings over \$30,000
July 1, 1996 – June 30, 2001	9% plus 2% of earnings over \$30,000
January 1, 1984 – June 30, 1996	8% plus 2% of earnings over \$30,000
January 1, 1979 – December 31, 1983	7% plus 2% of earnings over \$30,000
January 1, 1975 – December 31, 1978	5% plus 2% of earnings over \$30,000

*The enhanced benefit plan known as RetirementPlus became effective on July 1, 2001. Depending on a members membership history with the MTRS and other Massachusetts public retirement systems, a member may have either had a one-time opportunity to elect whether or not to participate in RetirementPlus, or been required ("mandated") to participate. RetirementPlus requires 11% of all earnings to be contributed for all members regardless of the effective membership date. However, if the membership date is after April 2, 2012 and

Note 3 - Pension Plans (Continued)

Massachusetts Teachers' Retirement System (Continued)

Contributions (Continued)

the member has 30 years of service, the contribution rate decreases to a flat 8% and no additional 2% contribution is required.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As defined by GASB Statement No. 68, the Collaborative is considered to be a cost-sharing employer in a special funding situation where the nonemployer, the Commonwealth of Massachusetts, contributes 100% of the pension expense to the Massachusetts Teachers' Retirement System. In this special funding situation, the nonemployer also reports 100% of the pension liability so the Collaborative is not required to recognize a liability on its financial statements. However, to be in conformity with GASB Statement No. 68, the notes to the financial statements must disclose the portion of the nonemployer contributing entity's share of the collective net pension liability that is associated with the cost-sharing employer. Also, the Collaborative must recognize pension expense and revenue equal to the portion of the nonemployer contributing entity's pension expense that is associated with the cost-sharing employer.

As the nonemployer, the Commonwealth of Massachusetts' share of collective net pension liability was \$3,440,564 using June 30, 2015 as the measurement date. The amount recognized on the Collaborative's financial statements as revenue and the pension expense totaled \$171,600 for fiscal year 2016.

Massachusetts State Employees' Retirement System (MSERS)

Plan Description

MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. The governmental plan is a Code Section 401(a) retirement plan under Code section 414(d) of the Internal Revenue Code, established and maintained for the employees of the Commonwealth of Massachusetts.

Membership in the system is mandatory for nearly all state employees who are employed on a part-time (minimum half-time) or full-time permanent basis. Eligible members include state employees and employees of certain other public entities.

The MSERS Board also administers the former Massachusetts Turnpike Authority Employees' Retirement System and benefits for the members of the Judiciary.

Note 3 - Pension Plans (Continued)

Massachusetts State Employees' Retirement System (Continued)

Plan Description (Continued)

MSERS issues publicly available financial reports that can be obtained at www.mass.gov/treasury/retirement.

Benefits Provided

Regular retirement allowance (also referred to as "superannuation") is based on the member's age, length of creditable service, level of compensation and group classification. The superannuation retirement allowance of any members may not exceed 80% of the member's average rate of regular compensation. Also, members become vested in the retirement system if they have at least 10 years of full-time service.

For members that were hired before April 2, 2012, they are eligible to retire at any age if they have 20 or more years of creditable service or are at least age 55 and have 10 or more years of creditable service. Members' benefits are based on the highest 36 consecutive months of regular compensation.

For members hired after April 2, 2012, they are eligible to retire when the member has reached age 60 and has 10 or more years of creditable service. Members' benefits are based on the highest 5 years of regular compensation.

For all members, the retirement allowance is made up of two parts: an annuity and a pension. The annuity portion is made up of the contributions deducted during the course of employment and deposited in an annuity savings fund where the members earn interest on their contributions. The PERAC establishes the interest rate pursuant to state law, which is applied to the member's account. Also, the contributions of all members are pooled together and invested in the Pension Reserves Investment Trust (PRIT). The pension portion is the difference between the retirement allowance specified by law and the amount of members contributions and the retirement systems investment earnings.

Contributions

MSERS contributions are comprised of employee and employer contributions. Educational collaboratives are considered a special funding situation and 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 a given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Collaborative contributes a percentage of the payroll for the normal cost determined and assessed by the Massachusetts Public Employee Retirement Administration

Note 3 - Pension Plans (Continued)

Massachusetts State Employees' Retirement System (Continued)

Contributions (Continued)

Commission (PERAC), currently at 5.6%. The Commonwealth of Massachusetts funds the remainder of the liability.

The Collaborative's current year covered payroll and total payroll was \$5,662,425. The Collaborative's contribution to the plan for fiscal year 2016 was \$222,012.

Member contribution rates are established by the Commonwealth of Massachusetts' retirement law (Chapter 32 of the Massachusetts General Laws) and are determined by the date on which the member most recently became eligible for membership in Massachusetts.

Member contributions vary depending on date of hire and are based on a percentage of gross regular compensation. The contribution rates can vary from 5% to 11% as listed below:

<u>Effective Membership Date</u>	<u>MSERS Membership Contribution Rates*</u>
July 1, 1996 or later	9% plus 2% of earnings over \$30,000
January 1, 1984 – June 30, 1996	8% plus 2% of earnings over \$30,000
January 1, 1975 – December 31, 1983	7% plus 2% of earnings over \$30,000
Prior to January 1, 1975	5% plus 2% of earnings over \$30,000

*If the effective membership date is after April 2, 2012 and the member has 30 years of service, the contribution rate decreases to 6% plus an additional 2% contribution for salary in excess of \$30,000. Also note, employees appointed to the State Police on or after July 1, 1996 are required to contribute 12%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As defined by GASB Statement No. 68, the Collaborative is considered to be a cost-sharing employer in a special funding situation where the nonemployer, the Commonwealth of Massachusetts, is 100% responsible for the pension liability related to the Collaborative's retirees. The Collaborative is not required to recognize a liability on its financial statements. However, to be in conformity with GASB Statement No. 68, the notes to the financial statements must disclose the portion of the nonemployer contributing entity's share of the collective net pension liability that is associated with the cost-sharing employer. Also, the Collaborative must recognize pension expense and revenue equal to the portion of the nonemployer contributing entity's pension expense that is associated with the cost-sharing employer.

As the nonemployer, the Commonwealth of Massachusetts' share of collective net

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2016

Note 3 - Pension Plans (Continued)

Massachusetts State Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

pension liability was \$7,674,190 using June 30, 2015 as the measurement date. The amount recognized on the Collaborative's financial statements as revenue and the pension expense totaled \$859,294 for fiscal year 2016.

Note 4 - Sick Pay

Accumulated sick pay for the Executive Director is accrued and vested at 25% of accumulated sick days up to a maximum of 180 days. As of June 30, 2016 the accumulated sick pay for the Executive Director is equal to \$15,211 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, 2016.

<u>Year Ending</u> <u>June 30</u>	<u>Amounts</u>
2017	\$ 546,496
2018	353,456
2019	359,080
2020	369,439
2021	379,681
Thereafter	1,746,736
<u>Totals</u>	<u>\$3,754,888</u>

Rental expenditures during fiscal year ended June 30, 2016 amounted to \$423,479.

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

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2016

Note 6 – Cash (Continued)

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 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 \$438,881 and the bank balance was \$799,230 at June 30, 2016. Excessive bank balances beyond the \$250,000 FDIC insurance, for the operating account held at Rockland Trust Company, a local bank, are collateralized by a security interest in the securities held by the Rockland Deposit Collateral Securities Corporation, a subsidiary of Rockland Trust Company.

Cash - Restricted

During fiscal year 2015, the Board voted to establish a capital reserve account to support costs associated with the acquisition, maintenance, and improvements of fixed assets, including real property, to benefit the Collaborative. The Board voted at their June 11, 2015 meeting to make an initial deposit up to a maximum of \$50,000 from fiscal year 2015 surplus funds and/or cumulative general surplus funds into the restricted capital reserve account.

During fiscal year 2016, the Board voted to allow the Executive Director to use funds from the restricted capital reserve account for costs related to renovations at the Collaborative's building on Acushnet Ave in New Bedford, MA to accommodate a new elementary education public day school opening September 2016.

Note 7 - Investment - OPEB Trust Fund

In June 2014, the Board voted to establish the "Southeastern Massachusetts Educational Collaborative Retirees' Health Insurance Trust Fund" to be held at Rockland Trust Company. This Trust Fund was established to collect, hold, manage, preserve and if the Trustees deem expedient in their sole discretion, to authorize the Treasurer of the Collaborative to pay eligible retirees' health insurance benefits set by the Collaborative's Board of Directors from time to time. This trust was established pursuant to Massachusetts General Law Chapter 32B. See Note 12 for more information.

Per Southeastern Massachusetts Education Collaborative OPEB Liability Trust Investment Policy Statement, investments held in the trust will be adequately diversified and risk controls will be maintained within the subcategories agreed upon within the strategy section of the investment policy statement. The investments held in this trust will adhere to the prudent investor rule established in the Massachusetts General Laws Chapter 203C.

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2016

Note 7 - Investment - OPEB Trust Fund (Continued)

The Collaborative's fiduciary fund investment as of June 30, 2016, consisted of the following:

		<u>Fair Value Measurement at end of the reporting period using</u>		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring Fair Value Measurements</u>	<u>6/30/2016</u>			
Money Market Funds	\$ <u>2,305</u>	\$ <u>2,305</u>	\$ _____	\$ _____
Mutual Funds:				
Fixed income funds	31,814	31,814		
Equity funds	<u>105,083</u>	<u>105,083</u>	_____	_____
Mutual Funds	<u>136,897</u>	<u>136,897</u>	_____	_____
Total Recurring Value Measurements	<u>\$139,202</u>	<u>\$139,202</u>	\$ _____	\$ _____
Investments at cost		\$137,409		
Investments at market value		<u>139,202</u>		
Unrealized gain		<u>\$ 1,793</u>		

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Collaborative will not be able to recover deposits or collateral securities that are in the possession of an outside party. The investment policy specifies that the financial institution's financial statements will be reviewed as well as the background of the sales representative before investing with the financial institution to limit the OPEB Trust's exposure to only institutions with proven financial strength, capital adequacy and overall affirmative reputation in the municipal industry.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Because obligations of the U.S. Government and some of its agencies are not considered to have credit risk, the Collaborative does not limit the amount it can invest in these securities. As far as fixed-income investments, the Collaborative's investment policy only allows for purchases of investment grade securities with a high concentration in securities rated A or better (high rating). These investments in fixed income securities will be made primarily for income and capital preservation. As far as lower-quality investments, the Collaborative's investment policy only allows for these investments to be held through diversified vehicles, such as mutual funds or exchange-traded funds. Also, the investment policy specifies that there is no limit to the amount of funds that can be placed in the Massachusetts Municipal Depository Trust (MMDT).

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2016

Note 7 - Investment - OPEB Trust Fund (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of the Collaborative's investment in a single issuer. The Collaborative's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Collaborative will manage interest rate risk by managing duration in the account.

Note 8 - Capital Assets

Net 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 and equipment which have been capitalized and are being depreciated over five years using the straight-line method. The depreciation amount was \$64,465 for the year.

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
<u>Governmental Activities</u>				
<u>Non-depreciable assets</u>				
Land	\$ 90,000	\$ -	\$ -	\$ 90,000
<u>Depreciable Assets</u>				
Building	204,838			204,838
Vehicle	338,449	45,941	-	384,390
Equipment	<u>20,223</u>	<u>21,067</u>	-	<u>41,290</u>
<u>Total Historical Cost</u>	<u>653,510</u>	<u>67,008</u>	-	<u>720,518</u>
<u>Less: Accumulated Depreciation</u>				
Buildings	86,204	5,121		91,325
Vehicles	168,534	55,299	-	223,833
Equipment	<u>8,090</u>	<u>4,045</u>	-	<u>12,135</u>
<u>Total Accumulated Depreciation</u>	<u>262,828</u>	<u>64,465</u>	-	<u>327,293</u>
<u>Governmental Activities Capital</u>				
<u>Assets – Net</u>	<u>\$390,682</u>			<u>\$393,225</u>

Note 9 - 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,

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2016

Note 9 - Deferred Compensation Plan (Continued)

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 10 - 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 11 - Notes Payable

During fiscal year 2016 the Collaborative paid off the remaining two notes payable with principal payments totaling \$821 and interest totaling \$-0-.

Note 12 - 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.

Note 12 - Other Post-employment Benefits (OPEB) (Continued)

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 Position over time.

A) A Description of the Retiree Medical Insurance Program:

1. Plan Type: Comprehensive medical insurance offered through Tufts Health Plan. The Collaborative does not offer Medicare integrated plans, as such participants exit the plan upon attainment of age 65 (excluding one retiree who is not Medicare eligible)
2. Administrator: Southeastern Massachusetts Educational Collaborative
3. Eligibility: An employee hired before April 2, 2012 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. Those hired on or after April 2, 2012 shall be eligible to retire upon attainment of age 60 with 10 years of creditable service.
4. Cost Sharing: 50% of premiums in retirement (one grandfathered participant pays 40%).

B) A Description of the Retiree 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 (one grandfathered participant pays 40%)

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%)

Note 12 - Other Post-employment Benefits (OPEB) (Continued)

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	N/A
	(one grandfathered participant pays 40%)	

E) Funding Policy

The contribution requirements of plan members and the Collaborative are established and may be amended through Collaborative ordinances. The Collaborative expects to contribute \$-0- beyond the pay-as-you-go. For fiscal year 2016, the total estimated premiums plus implicit costs for the retiree medical program were \$50,103 but the actual amount paid during the fiscal year was \$37,980.

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 fiscal year, the amount actually contributed to the plan and the change in the Collaborative’s net OPEB obligation to the plan:

Annual OPEB expense	198,450
Transfers to investment account	(-)
Contributions made	(37,980)
Increase in net OPEB obligation	160,470
Net OPEB obligation – beginning of year	<u>1,565,422</u>
Net OPEB obligation – end of year	<u>\$1,725,892</u>

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2016

Note 12 - Other Post-employment Benefits (OPEB) (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 2016 and the four preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Expected Employer Payments	Actual Employer Payments & Contributions	Percentage of OPEB Cost Contributed	Increase In OPEB Obligation	Net OPEB Obligation (Asset)
6/30/2017 (est.)	\$215,723	\$47,992	n/a	22.2%	\$167,731	\$1,893,623
6/30/2016	\$198,450	\$50,103	\$ 37,980	25.2%	\$160,470	\$1,725,892
6/30/2015	\$180,939	\$42,354	\$168,790	23.4%	\$ 12,149	\$1,565,422
6/30/2014	\$576,399	\$52,085	\$ 31,472	5.5%	\$544,927	\$1,553,273
6/30/2013	\$543,970	\$41,694	\$ 17,847	3.3%	\$526,123	\$1,008,346
6/30/2012	\$513,126	\$30,903	\$ 30,903	6.0%	\$482,223	\$ 482,223

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b)-(a)/(c)
7/01/2016 (est.)	\$81,120	\$1,831,111	\$1,749,991	4.4%	\$5,046,829	34.7%
7/01/2015 (est.)	\$78,000	\$1,686,215	\$1,608,215	4.6%	\$4,899,834	32.8%
7/01/2014	\$75,000	\$1,551,108	\$1,476,108	4.8%	\$4,757,120	31.0%
7/01/2013	\$0	\$4,213,489	\$4,213,489	0.0%	\$3,967,834	106.2%
7/01/2012	\$0	\$3,752,501	\$3,752,501	0.0%	\$3,852,266	97.4%
7/01/2011	\$0	\$3,310,007	\$3,310,007	0.0%	\$3,740,064	88.5%

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2016

Note 12 - Other Post-employment Benefits (OPEB) (Continued)

Schedule of Funding Progress (Continued):

Fiscal Year Ending June 30, 2015:

	School Employees and Retirees	Adult Services Employees and Retirees	Non Medicare Eligible Employees and Retirees	Total
Annual OPEB Cost	\$ 109,272	\$ 135,575	\$ 51,812	\$ 296,659
Interest on Net OPEB Obligation	17,908	26,311	17,912	62,131
Adjustment to the ARC	(24,893)	(36,576)	(24,901)	(86,370)
Amortization of Actuarial (Gains)/Losses	(26,314)	(38,845)	(26,322)	(91,481)
Annual OPEB Cost	75,973	86,465	18,501	180,939
*Actual employer Payments	(69,795)	(57,929)	(41,066)	(168,790)
Increase in OPEB obligation	6,178	28,536	(22,565)	12,149
OPEB obligation at beginning of year	447,687	657,758	447,828	1,553,273
OPEB obligation at end of year	453,865	686,294	425,263	1,565,422
*Actual employer contribution	(15,833)	(13,141)	(9,316)	(38,290)
Contributions to Trust Fund over 30 years	(53,962)	(44,788)	(31,750)	(30,500)
Total Actual Employer Payments	(69,795)	(57,929)	(41,066)	(168,790)
AAL as of July 1, 2014	447,064	656,841	447,203	1,551,108
Plan Assets of July 1, 2014	19,855	27,352	27,793	75,000
Unfunded Actuarial Liability as of July 1, 2014	427,209	629,489	419,410	1,476,108

Fiscal Year Ending June 30, 2016:

	School Employees and Retirees	Adult Services Employees and Retirees	Non Medicare Eligible Employees and Retirees	Total
Annual OPEB Cost	\$113,680	\$141,044	\$ 53,902	\$ 308,626
Interest on Net OPEB Obligation	19,506	28,659	19,510	67,675
Adjustment to the ARC	(27,114)	(39,840)	(27,123)	(94,077)
Amortization of Actuarial (Gains)/Losses	(22,746)	(35,030)	(25,998)	(83,774)
Annual OPEB Cost	83,326	94,833	20,291	198,450
*Total Actual Employer Payments	(15,952)	(12,913)	(9,115)	(37,980)
Increase in OPEB obligation	67,374	81,920	11,176	160,470
OPEB obligation at beginning of year	453,865	686,294	425,263	1,565,422
OPEB obligation at end of year	521,239	768,214	436,439	1,725,892
*Actual employer contribution	(15,952)	(12,913)	(9,115)	(37,980)
Contributions to Trust Fund over 30 years	(-)	(-)	(-)	(-)
Total Actual Employer Payments	(15,952)	(12,913)	(9,115)	(37,980)
AAL as of July 1, 2015	486,005	714,054	486,156	1,686,215
Plan Assets of July 1, 2015	20,650	28,446	28,904	78,000
Unfunded Actuarial Liability as of July 1, 2015	465,355	685,608	457,252	1,608,215

Southeastern Massachusetts Educational Collaborative
Notes to Financial Statements (Continued)
June 30, 2016

Note 12 - Other Post-employment Benefits (OPEB) (Continued)

Schedule of Funding Progress (Continued):

Fiscal Year Ending June 30, 2017:

	School Employees and Retirees	Adult Services Employees and Retirees	Non Medicare Eligible Employees and Retirees	Total
Annual OPEB Cost	\$ 117,857	\$146,227	\$ 55,883	\$ 319,967
Interest on Net OPEB Obligation	21,216	31,171	21,220	73,607
Adjustment to the ARC	(29,491)	(43,334)	(29,502)	(102,327)
Amortization of Actuarial (Gains)/Losses	(19,003)	(30,977)	(25,544)	(75,524)
Annual OPEB Cost	90,579	103,087	22,057	215,723
* Total Expected Employer Payments	(19,844)	(16,472)	(11,676)	(47,992)
Increase in OPEB obligation	70,735	86,615	10,381	167,731
OPEB obligation at beginning of year	<u>521,239</u>	<u>768,214</u>	<u>436,439</u>	<u>1,725,892</u>
OPEB obligation at end of year	591,974	854,829	446,820	1,893,623
*Expected employer contribution	(19,844)	(16,472)	(11,676)	(47,992)
Contributions to Trust Fund over 30 years	(_____)	(_____)	(_____)	(_____)
Total Expected Employer Payments	(19,844)	(16,472)	(11,676)	(47,992)
AAL as of July 1, 2016	527,768	775,412	527,931	1,831,111
Plan Assets of July 1, 2016	<u>21,476</u>	<u>29,584</u>	<u>30,060</u>	<u>81,120</u>
Unfunded Actuarial Liability as of July 1, 2016	506,292	745,828	497,871	1,749,991

G) Funded Status and Funding Progress

As of July 1, 2014, the most recent valuation date, the plan was 4.84% funded. The actuarial liability for benefits was \$1,551,108, and the actuarial value of assets was \$75,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,476,108. The covered payroll (annual payroll of active employees covered by the plan) was \$4,757,120 and the ratio of the UAAL to the covered payroll was 31.0%.

After the most recent actuarial valuation date a contribution of \$55,500 was made to the plan. This contribution will be reflected in the next actuarial valuation of the plan.

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.

Note 12 - Other Post-employment Benefits (OPEB) (Continued)

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 \$2,039,603 or by 31.5% and the corresponding Normal Cost would increase to \$167,335 or by 48.6%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$1,164,122 or by 24.9% and the corresponding Normal Cost would decrease to \$71,997 or by 36.1%.

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

Actuarial Cost Method: Investment Rate of Return: Healthcare Trend Rates	Projected Unit Credit 4% per annum (previously N/A)		
		<u>Year</u>	<u>Medical</u>
		FY 2013	5.5%
		FY 2014	5.0%
		FY 2015	5.0%
		FY 2016	5.0%
		FY 2017	5.0%
		FY 2018	5.0%
		FY 2019	5.0%
		FY 2020+	5.0%

General Inflation Assumption: Annual Compensation Increases: Actuarial Value of Assets: Amortization of UAAL: Remaining Amortization Period:	2.50% per annum 3.00% per annum Market Value Level dollar amortization over 30 years at the last valuation 27 years at July 1, 2014
--	---

Note 12 - Other Post-employment Benefits (OPEB) (Continued)

J) Remaining Amortization Base

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.

Changes in Unfunded Actuarial Liability Since Prior Valuation

Expected Unfunded Actuarial Liability

1. Actuarial Accrued Liability at prior valuation date	\$3,310,008
2. Actuarial Value of Assets at prior valuation date	-
3. Unfunded Actuarial Accrued Liability at prior valuation date (1.-2.)	<u>3,310,008</u>
4. Normal Cost for prior periods	480,300
5. Employer Contributions for prior periods	(80,222)
6. Interest to current valuation date	<u>446,424</u>
7. Expected Unfunded Actuarial Accrued Liability (3.+4.+5.+6.)	4,156,510

Changes in Unfunded Actuarial Liability Since Prior Valuation (Continued)

Actual Unfunded Actuarial Liability

8. Actuarial Accrued Liability at current valuation date	1,551,108
9. Actuarial Value of Assets at current valuation date	<u>75,000</u>
10. Unfunded Actuarial Accrued Liability at current valuation date (8.-9.)	1,476,108

Net Actuarial (Gain)/Loss from Plan Experience (10.-7.) (2,680,402)

11. Unfunded Actuarial Accrued Liability at current valuation date (10.)	1,476,108
12. Remaining Initial Unfunded to be amortized	<u>3,125,764</u>
13. Actuarial (Gain)/Loss to be amortized: (11.-12.)	(1,649,656)

Amortization of Initial Unfunded and Plan Experience under GASB Statement No. 45

Date		Initial	Initial	Remaining	Remaining	Annual
<u>Established</u>	<u>Description</u>	<u>Amount</u>	<u>Amortization</u>	<u>Balance at</u>	<u>Amortization</u>	<u>Amortization</u>
			<u>Period</u>	<u>Valuation Date</u>	<u>Period</u>	<u>Payment</u>
7/01/2011	GASB 45 Liability	\$3,310,008	30	\$3,125,764	27	\$184,055
7/01/2014	Cumulative (Gain)/Loss	(1,649,656)	30	(1,649,656)	30	(91,481)
7/01/2014	Adjustment to ARC	(1,553,273)	30	(1,553,273)	30	(86,371)
	<u>Total</u>			(77,165)		6,203

Note 12 - Other Post-employment Benefits (OPEB) (Continued)

K) Recognition of OPEB Trust Assets

The Commonwealth of Massachusetts passed legislation allowing municipal entities to establish a trust for Other Post-employment Benefits (“OPEB”) under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB Statement No. 45. The Collaborative established an irrevocable trust for the purpose of prefunding liabilities under GASB Statement No. 45 in fiscal year 2014. See Note 7 for more information.

L) 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 specifies 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 Consumer Price Index (CPI) and medical costs increasing with medical trend (generally higher). For purposes of the fiscal year ending June 30, 2015, the AAL for the excise tax is \$7,328 and the increase in annual OPEB cost is \$572. As more regulatory guidance becomes available, the calculation of the excise tax liability will evolve.

M) 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 one 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 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 13 - Net Position/Fund Balance

The Collaborative implemented Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement No. 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balance

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 in 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.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board 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 Collaborative 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 Board.

Note 13 - Net Position/Fund Balance (Continued)

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 14 - 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 governmental funds. The constraints placed on fund balance for the governmental funds are presented as follows:

Committed	\$ 50,000
Unassigned	<u>1,346,962</u>
<u>Total Fund Balance</u>	<u>\$ 1,396,962</u>

Note 15 - Committed - Capital Reserve Fund

Per the request of member school committees, the Collaborative Board approved the establishment of a capital reserve fund to support costs associated with the acquisition, maintenance, and improvements of fixed assets, including real property, to benefit the Collaborative with a maximum reserve balance of \$250,000 and to make an initial deposit up to a maximum of \$50,000 from fiscal year 2015 surplus funds and/or cumulative general surplus funds into the restricted capital reserve account.

Note 16 - 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.

Southeastern Massachusetts Educational Collaborative
 Notes to Financial Statements (Concluded)
June 30, 2016

Note 16 - Line of Credit (Continued)

The outstanding balance as of June 30, 2016 was \$ -0-. Interest paid during the fiscal year was \$ -0-

Note 17 - Budgetary Basis of Accounting

The Collaborative prepares and adopts its annual budget on a budget basis, which is different from generally accepted accounting principles (GAAP basis). The Statement of Revenues and Expenditures – Budget and Actual is presented in accordance with the Collaborative’s method (budget basis) to provide meaningful budgetary comparisons to actual results. Reconciliation of actual amounts (budget basis) and actual expenditures (budget basis) to GAAP revenues and expenditures is as follows:

Revenues – Actual		\$9,059,579
Adjustments		<u>-</u>
Revenues – GAAP		<u>\$9,059,579</u>
Expenditures – Actual		\$9,037,423
Adjustments:		
Accrual of compensated absences	2,002	
Prepaid expenses	(49,464)	
Net capitalized costs for vehicles and equipment	(67,008)	
Depreciation recognized on capital assets	64,465	
Principal payments on debt	(821)	
Net OPEB obligation	<u>160,470</u>	
Total adjustments		<u>109,644</u>
Expenditures – GAAP		<u>\$9,147,067</u>

Note 18 - Subsequent Events

Management has evaluated the impact of all subsequent events through November 15, 2016, the date on which the financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment in the financial statements.

BENOIT & McARDLE, P.C.
Certified Public Accountants

James N. Benoit, CPA
Joseph L. McArdle, Jr., CPA

240 Wareham Road ~ P.O. Box 1037
Marion, Massachusetts 02738
Phone: (508) 748-1611
Fax: (508) 748-2216

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
Southeastern Massachusetts Educational
Collaborative
Dartmouth, Massachusetts

We have audited, 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, the financial statements of the governmental activities of Southeastern Massachusetts Educational Collaborative, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Southeastern Massachusetts Educational Collaborative's basic financial statements and have issued our report thereon dated November 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeastern Massachusetts Educational 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 Southeastern Massachusetts Educational Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeastern Massachusetts Educational 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.

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

Internal Control Over Financial Reporting (Continued)

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 Southeastern Massachusetts Educational 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.

We noted certain other matters that we reported to management of Southeastern Massachusetts Educational Collaborative in a separate letter dated November 15, 2016.

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.

Benoit & McArdle, P.C.

Benoit & McArdle, P.C.
Certified Public Accountants

Marion, Massachusetts
November 15, 2016

Southeastern Massachusetts Educational Collaborative
Supplementary Information
June 30, 2016

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

1. The names, duties, and total compensation of the five most highly compensated employees

<u>Employee</u>	<u>Title</u>	<u>Compensation</u>
Catherine Cooper	Executive Director	\$138,000
Jill Brillhante	Director of Business	93,636
Nelson Cordeiro	Adult Services Director	90,951
Michelle Goettlich	Student Services Director	88,975
Sean Mitchell	Assistant Adult Services Director	78,779

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.

Director of Business - Responsible for financial matters of the Collaborative. Responsibilities include but are not limited to: financial reporting, UFR reporting, providing assistance to Executive Director with budget preparation and tracking, invoicing and overseeing payroll, accounts payable and other financial matters of the Collaborative.

Adult Services Director - 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.

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.

Southeastern Massachusetts Educational Collaborative
 Supplementary Information
 June 30, 2016

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

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

Description of Duties (continued)

Assistant Adult Services Director - Responsible for assisting the Adult Services Director with the S.A.I.L. and ADH programs. Responsibilities are similar to the responsibilities of the Adult Services Director and 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.

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

None

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

For fiscal year 2016, the S.A.I.L. program expended \$3,807,095 and the ADH program expended \$660,096.

4. The amounts expended on administration and overhead

Administration and Overhead	\$769,359
-----------------------------	-----------

5. Any accounts held by the Collaborative that may be spent at the discretion of another person or entity

None

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

Acushnet Public Schools	\$ 17,971
Dartmouth Public Schools	14,896
Fairhaven Public Schools	14,896
271 Alden Rd., Fairhaven, MA – Landlord - (Albert Roderiques)	15,896
Ledgewood Commons	14,260
Olympia Tower Housing Company by Boston Land Company Management Services, Inc.	78,832
Old Rochester Regional School District	10,523
12 Welby Rd., New Bedford, MA - Landlord - (Group One Management, Inc.)	136,000
25 Russell Mills Rd, Dartmouth, MA - Landlord - (Four Kings, LLC)	<u>100,000</u>
	<u>\$403,274</u>

Southeastern Massachusetts Educational Collaborative
 Supplementary Information
 June 30, 2016

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

7. Annual determination and disclosure of cumulative surplus

Cumulative Surplus Calculation FY16	Page(s) in financial statements
(A) Voted Cumulative Surplus as of 6/30/15 (not including committed Capital Reserve Fund Balance of \$50,000)	\$ 1,324,806.00 (A) p. 18
(B) 1 Amount of (A) used to support the FY16 Budget (B)1	\$ -
2 Amount of (A) returned to member districts (B)2	\$ -
(B)1 + (B)2 = (B)	\$ - (B)
(C) Unexpended FY16 General Funds	\$ 22,156.00 (C) p. 18
(D) Cumulative Surplus as of 6/30/16 (A) - (B) + (C) = (D)	\$ 1,346,962.00 (D)
(E) FY16 Total General Fund Expenditures without Intergovernmental on behalf payments of \$1,030,894	\$ 8,006,529.00 (E) p. 18
(F) Cumulative Surplus Percentage (D) ÷ (E)	17% (F)