

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2015

CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-15
Financial Statements:	
Statement of Net Position	16
Statement of Revenues and Expenses	17
Statement of Changes in Net Position	18
Statement of Cash Flows	19-20
Notes to the Financial Statements	21-44
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability	45
Schedule of Contributions	46
Notes to the Required Supplementary Information	47
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48-49



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Cape Cod Community College
West Barnstable, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Cape Cod Community College (an agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statement of net position as of June 30, 2015, the related statement of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements. We have also audited the statement of financial position of Cape Cod Community College Educational Foundation, Inc. (the "Foundation") as of June 30, 2015, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Cape Cod Community College as of June 30, 2015, and the respective changes in net position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter


As discussed in Note 2 to the financial statements, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, is effective for fiscal year 2015 and required the College to restate beginning net position to recognize its proportionate share of the net pension obligation determined for the Massachusetts State Employees' Retirement System. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-15, the schedule of proportionate share of the net pension liability on page 45, the schedule of contributions on page 46 and the notes to the required supplementary information on page 47 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, on our consideration of Cape Cod Community College'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 Cape Cod Community College's internal control over financial reporting and compliance.


Certified Public Accountants
Braintree, Massachusetts

October 23, 2015

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

The following discussion and analysis provides management's view of the financial position of Cape Cod Community College (the "College") as of June 30, 2015 and 2014 and the results of operations for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes that are presented in this document.

The College is a public institution of higher education in Massachusetts serving approximately 5,500 students, with 66 full-time faculty and 151 full-time staff members. The main campus is located in West Barnstable and a center is located in downtown Hyannis. The College also offers courses at Joint Base Cape Cod, Martha's Vineyard & Woods Hole, and Plymouth North High School. The College currently offers 26 Associate in Arts concentrations, 17 Associate in Science concentrations and 45 career-building academic certificates in a wide variety of program areas. In addition, the College has a number of partnerships with several public and private institutions that offer Bachelor's and Master's degree programs on the main campus.

Financial Highlights

The fiscal year 2015 state unrestricted appropriation of \$14,182,593 reflects a \$741,490 increase over last year's appropriation of \$13,441,103. The increase is due to several factors: a \$252,558 increase in state funded fringe benefit costs, \$450,350 from the statewide performance-based funding formula, a \$203,933 increase over last year's supplemental appropriation to cover collective bargaining costs, a \$23,358 increase in non-resident tuition retained, offset by a \$23,489 increase in day school tuition remitted to the state and a \$165,220 reduction to the appropriation due to a 9C cut.

State restricted appropriation for fiscal year 2015 was \$822,015, which was \$520,542 higher than last year's appropriation of \$301,473. The increase is primarily due to receiving \$516,707 in funds for the new Airframe and Power Plant program, a \$51,560 increase in funding for the Vision Project, offset by a \$42,835 decrease in the workforce training.

Capital appropriations increased by \$770,254 due to several special appropriations from the Division of Capital Asset Management & Maintenance (DCAMM) for the water booster pump station replacement \$465,479, the new science building study \$361,740, campus wide energy upgrades \$58,553, and studies for the library elevator and the administration building & gym roofs \$72,100, offset by reductions from last fiscal year for the campus wide sewer upgrade & asbestos abatement.

During fiscal year 2015, major capital improvements totaled \$1,439,043 offset by a \$421,578 reduction in the capital asset value of the energy cell asset due to termination of the capital lease. The major network upgrade and new library boardroom projects were completed during the year with funding from College reserves. DCAMM provided funding for several studies for the new science building, the library elevator, and the administration and gym roofs. The water booster pump station replacement is expected to be completed in fiscal 2016 with funding provided by DCAMM and an energy and water upgrade project is underway as well. The State has also provided funding to purchase equipment for the new Airframe and Power Plant program.

CAPE COD COMMUNITY COLLEGE
 (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Financial Highlights - Continued

During the winter, President Cox introduced plans to examine the structure of the College to align the institution with student enrollment. While total enrollment has declined since 2010, the College has not addressed this change systematically. A Right-Sizing Task Force was established during the year, charged to help in reviewing and recommending options to align resources to best serve our students, balance our budget, and position our institution as a higher education leader.

The Initial Report and the work of the Task Force helped frame how we prioritize and align resources and will be used in part as we develop future budgets. The report was not a blueprint for the fiscal year 2016 budget, but provided benchmarking data comparisons along with administrative and programmatic recommendations.

The last fee increase was effective beginning with the fall 2014 semester. Tuition and fees increased to \$171 from \$167 per credit hour. The increase represented a \$2 per credit hour for general operations and \$2 per credit hour for facilities maintenance and improvements. The technology fee was changed from a flat \$40 per student per semester to a per credit hour charge of \$4.50. A per credit hour fee of \$25 was instituted for students in the Health Science programs to help offset the high cost. All courses requiring a science lab were charged \$25 per course to help the college defray part of the additional costs associated with expensive supplies. A transcript fee was established to help defray direct costs associated with this service. Project Forward program fees increased \$135 per semester to cover increasing costs, and lastly, facilities use fees increased to bring us in line with competing venues.

The Board continues to recognize that some students may have difficulty paying their tuition and fees therefore they designated \$465,000 in the fiscal year 2016 operating budget towards need based student financial aid awards.

At June 30, 2015 and 2014, the College's assets of \$26,375,063 and \$26,178,188 exceeded its liabilities of \$9,151,872 and \$9,141,488 by the amounts shown below. The resulting net assets are summarized into the following categories:

		<u>2015</u>		2014 (restated)
Invested in capital assets, net of related debt	\$	14,295,551	\$	13,256,993
Restricted, nonexpendable		20,000		20,000
Unrestricted		<u>2,907,640</u>		<u>3,759,707</u>
Total net assets	\$	<u><u>17,223,191</u></u>	\$	<u><u>17,036,700</u></u>

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Financial Highlights - Continued

Unrestricted net assets decreased in fiscal year 2015 by \$852,067 and decreased by \$3,481,005 in fiscal year 2014. The decrease in 2015 was primarily due to the Northeast Energy Services, Inc. (NORESCO) capital lease termination payout of \$715,531 approved by the College's Board of Trustees on December 16, 2014. The decrease in fiscal year 2014 was primarily due to a \$2,710,653 restatement of net assets as a result of the new GASB 68 requirement to report the College's proportionate share of the Net Pension Liability on its books. Unrestricted net assets have been designated by the College's Board of Trustees to be used for information technology, deferred maintenance, academic equipment and materials, and a capital fund.

Overview of the Financial Statements

The College's financial statements are comprised of two primary components: 1) the financial statements and 2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities. Total operating expenses for the years ended June 30, 2015 and 2014 amounted to \$32,571,109 and \$31,737,926, while operating revenues were \$16,514,747 and \$16,245,667 respectively. The operating losses of \$16,056,362 and \$15,492,259 were offset mostly by state appropriations (considered non-operating revenues) of \$15,004,608 and \$13,742,576 respectively.

In May 2002, GASB issued Statement No. 39 of the Governmental Accounting Standards Board (GASB), *Determining Whether Certain Organizations are Component Units* (an amendment of GASB 14). GASB 39 establishes new criteria for evaluating the need to include component units of the College. The College adopted GASB 39 as of July 1, 2003.

Cape Cod Community College Educational Foundation (the Foundation) is a legally separate tax-exempt component unit of Cape Cod Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of Directors of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements- Continued

Management's Discussion and Analysis is required to focus on the College, not its component unit.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the College's finances and are comprised of three basic statements:

The *Statement of Net Position* presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* present information showing how the College'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 only result in cash flows in future fiscal periods (e.g., the payment of accrued for compensated absences, or the receipt of amounts due from students and others for services rendered).

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services.) The Government Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used. In accordance with GASB 39, the Foundation is not required to present the statement of cash flows.

The financial statements can be found on pages 16-20 of this report. The College reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. The College is an agency of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position and cash flows, are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements- Continued

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 21-44 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. At the close of the fiscal years ended June 30, 2015 and 2014, the College's assets exceeded liabilities by \$17,223,191 and \$17,036,700 respectively. The increase in net position of \$186,491 in fiscal year 2015 is principally due to a conservative budgeting strategy and additional funding from DCAMM for capital projects

Cape Cod Community College's Net Position

	June 30	
	2015	2014
		(restated)
Current assets	\$ 7,135,704	\$ 7,676,134
Noncurrent assets	18,428,509	18,502,054
Deferred Outflows of Resources	810,850	235,845
Total Assets and Deferred Outflows of Resources	\$ 26,375,063	\$ 26,414,033
Current liabilities	\$ 4,618,596	\$ 4,885,205
Noncurrent liabilities	3,921,291	4,492,128
Total Liabilities	\$ 8,539,887	\$ 9,377,333
Total Deferred Inflows of Resources	\$ 611,985	\$ —
Net Position:		
Invested in capital assets, net of related debt	\$ 14,295,551	\$ 13,256,993
Restricted, nonexpendable	20,000	20,000
Unrestricted	2,907,640	3,759,707
Total Net Position	\$ 17,223,191	\$ 17,036,700

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements- Continued

Financial Analysis – Continued

The largest portion of the College's net assets reflects its investment in capital assets (e.g., land, buildings, furnishings and equipment) including capital leases, less any related debt, used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to students, faculty, and administration. Although the College's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the debt noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not included in the College's financial statements.

Cape Cod Community College's Changes in Net Position

	Fiscal years ended June 30	
	2015	2014
		<i>(restated)</i>
Total operating revenues	\$ 16,514,747	\$ 16,245,667
Total operating expenses	<u>32,571,109</u>	<u>31,737,926</u>
Net operating loss	(16,056,362)	(15,492,259)
Total net non-operating revenues	<u>15,252,971</u>	<u>14,583,781</u>
Net income (loss) before other revenues	(803,391)	(908,478)
Capital appropriation	989,882	219,628
Total increase (decrease) in net position	186,491	(688,850)
Net Position, Beginning of Year	17,036,700	20,436,203
Restatement - GASB 68	<u>—</u>	<u>(2,710,653)</u>
Net Position, End of Year	\$ <u>17,223,191</u>	\$ <u>17,036,700</u>

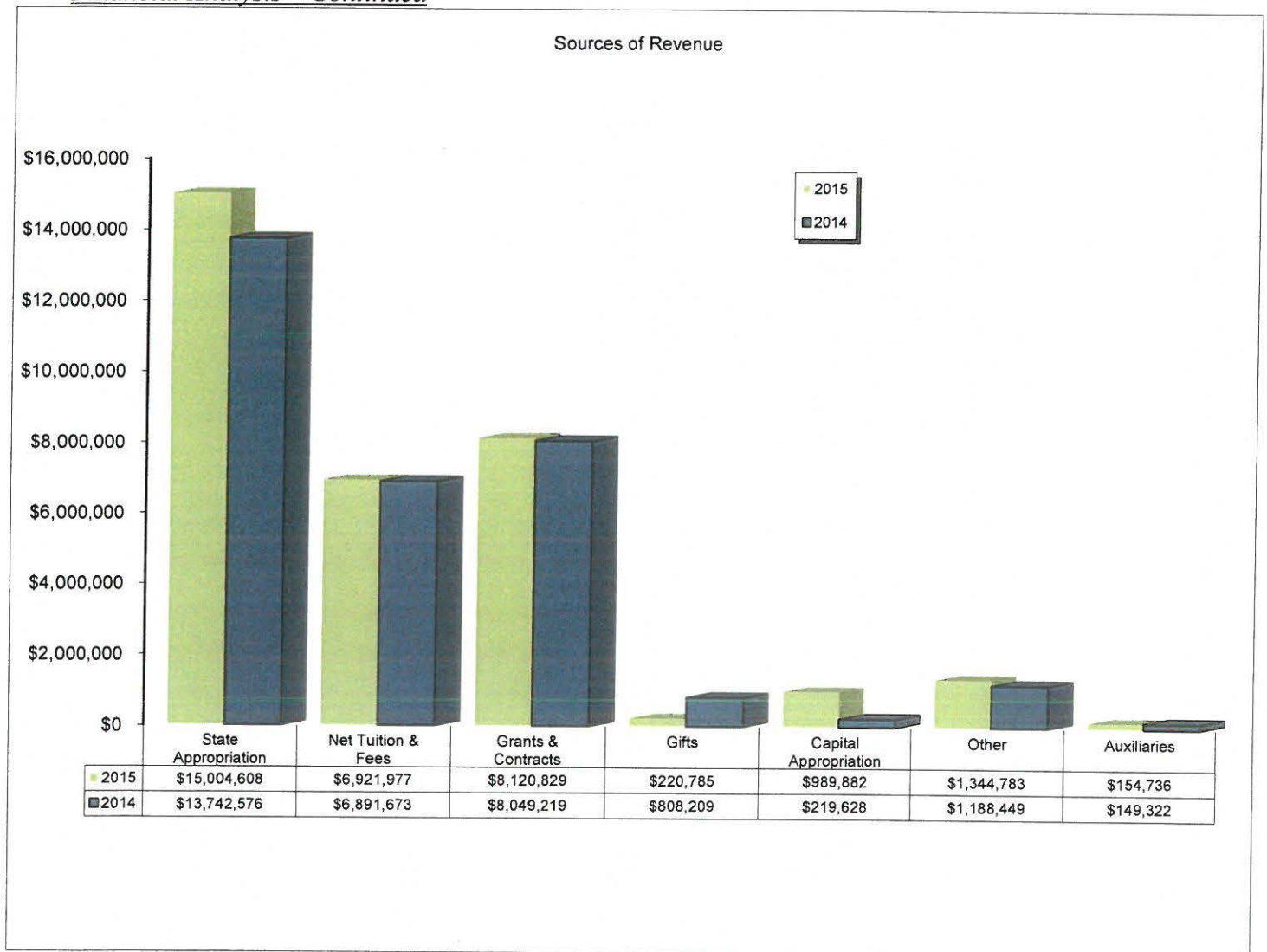
CAPE COD COMMUNITY COLLEGE (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements - Continued

Financial Analysis – Continued



Revenues and Expenses

The state appropriation of \$15,004,608 fiscal year 2015 reflects a \$1,262,032 increase primarily due to an increase in state funded fringe benefit costs, collective bargaining increases, funding from the state's performance funding formula, funding from the state for the new airframe & powerplant program, and funding by DCAMM for various campus studies and improvement projects.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements - Continued

Revenues and Expenses - Continued

In fiscal year 2015 state appropriations accounted for 47% of operating revenues while net tuition and fees amounted to 22%. In fiscal year 2014 state appropriations accounted for 45% and net tuition and fees 22%.

In fiscal year 2015, gift revenues decreased \$587,424 primarily due to the completion of the Nickerson archives renovation and the parking lot lighting upgrade in the prior fiscal year, and the receipt of fewer remaining dental hygiene renovation pledge payments. Net tuition and fee revenue increased \$30,304, primarily due to fee increases offset by a decline in credit hours enrolled.

Capital appropriations increased \$770,254 in fiscal year 2015 and increased \$106,453 in fiscal year 2014. The increase for fiscal year 2015 is primarily due to a special appropriation of \$465,479 to fund the water booster pump station replacement and \$361,740 to fund the new science building study, partially offset by a reduction over the prior year in asbestos abatement funding.

Viewed as a percentage of the operating budget, the significant shifts in expenditures include a 15% increase in academic support and an 8% increase in institutional support. Academic support increased 15% primarily due to new funding from the MA Life Science and U.S. Department of Labor Aviation grants. Institutional support increased 8% primarily due to a recent requirement to record a year-end accrual for compensatory time of \$97,811. The state funded fringe benefit costs increased \$252,558 due to the state fringe benefit rate increase. The College continues to spend over 70% of its operating budget on academic and student related expenditures.

CAPE COD COMMUNITY COLLEGE
 (an agency of the Commonwealth of Massachusetts)

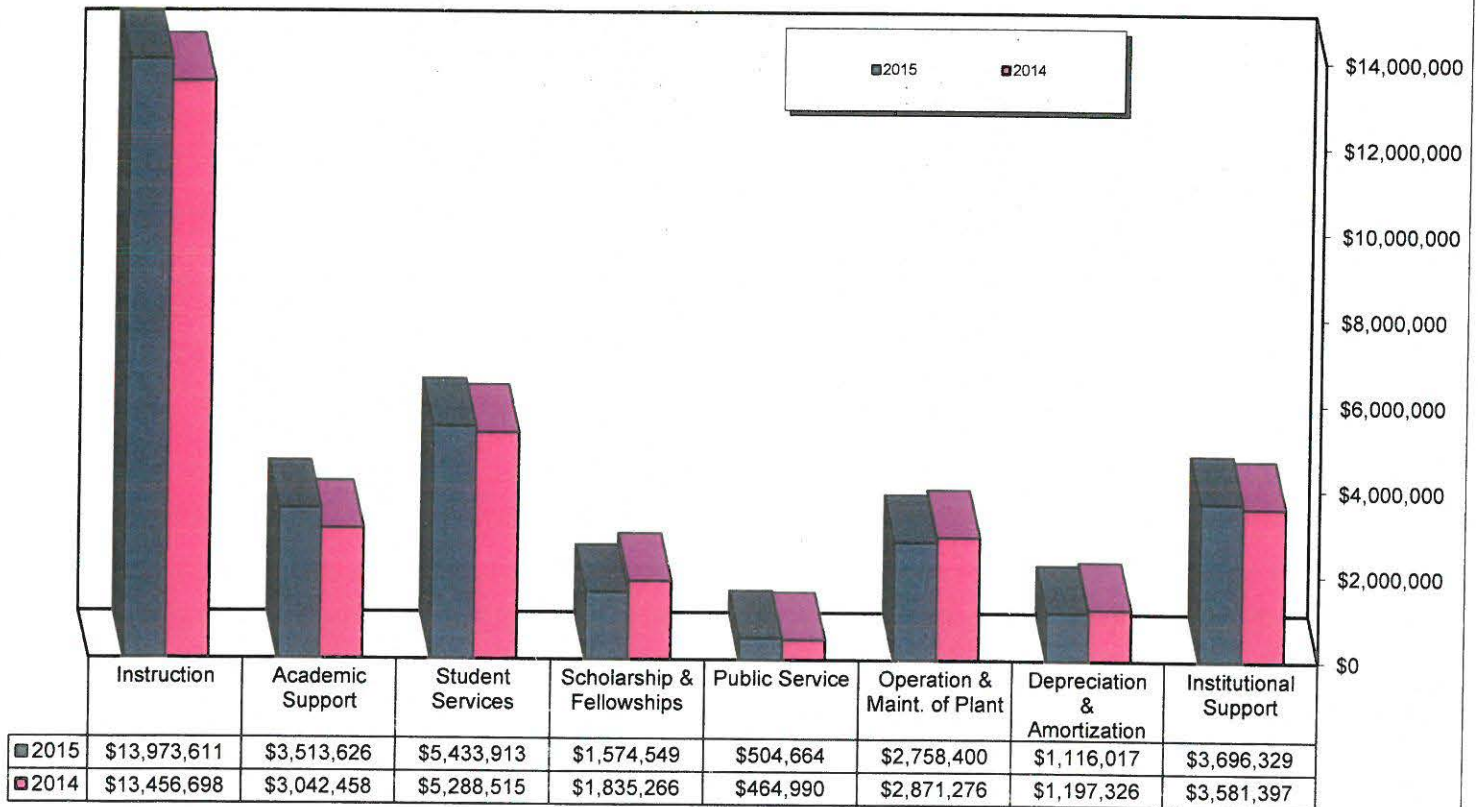
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements – Continued

Revenues and Expenses - Continued

Expenditures



CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements - Continued

Revenues and Expenses – Continued

Major grants and contracts received by the College for the years ended June 30, 2015 and 2014 included the following:

- **ACCESS** (Adult Collaborative of Cape Cod for Education and Support Services) at the College amounted to \$597,633 and \$568,441 as of June 30, 2015 and 2014, respectively. ACCESS offers small group instruction, individualized tutoring and computer-assisted learning opportunities for adults. Basic literacy and language instruction for beginning readers; preparation for GED (General Education Development Equivalency Diploma) examination and college and career advising are provided by experienced and sensitive staff. Non-native English speakers can enroll in beginning, intermediate, and advanced English language classes. Pronunciation and computer literacy classes are offered as needed. The program is funded by the Massachusetts Department of Elementary and Secondary Education.
- **TRIO Advantage Program** at the College amounted to \$276,322 and \$279,381 as of June 30, 2015 and 2014, respectively. The Advantage Program is a TRIO/Student Support Services program funded by the U.S. Department of Education. The funding cycle is for five years: September 1, 2010 to August 31, 2015 pending annual appropriations by Congress. The College recently received approval for the next five years: September 1, 2015 – August 31, 2020. Our Advantage Program serves 175 participants, two-thirds of whom must be first-generation college and low income, or have a documented disability. One third of the documented disabled must be low income as well. The remaining is either first generation or low income. Services provided include proactive academic advising, career counseling, peer mentoring, individual tutoring, financial/economic literacy, transfer and personal counseling. Community services and cultural events are also part of the program. Off-campus enrichment has included trips to New York and Boston area sites.
- **Financial Aid** awards at the College amounted to \$6,740,057 and \$7,630,716 as of June 30, 2015 and 2014 respectively. The reduction in financial aid is primarily due to fewer enrolled students. Financial aid awards are based upon a student's financial need and the cost of attendance. In fiscal year 2015, 2,681 students received financial aid, down from 2,823 in fiscal year 2014.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements - Continued

Revenues and Expenses - Continued

	2015	2014
The sources of these awards:		
Federal Government	\$ 4,537,276	\$ 5,143,784
Commonwealth of Massachusetts	1,434,523	1,470,397
Grants and private donations	768,258	1,016,535
	\$ 6,740,057	\$ 7,630,716

Loss from Operations

Due to the nature of public higher education, institutions incur a loss from operations. The Massachusetts Department of Higher Education presets tuition rates. The College's Board of Trustees sets student fees and other charges. Commonwealth appropriations to the College funded the majority of the loss from operations not covered by tuition and fees. The College, for the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to offset losses after Commonwealth appropriations.

Nonoperating Revenues and Expenses

For "non-operating" revenues, the Commonwealth's appropriation increased by 9.2% or \$1,262,032 to \$15,004,608 in fiscal year 2015. The increase is primarily due to a \$252,558 increase in state funded fringe benefit costs, \$450,350 from the statewide performance-based funding formula, a supplemental appropriation of \$516,707 for the airframe & power plant program, a \$203,933 increase over last year's supplemental appropriation to cover collective bargaining costs, offset by a \$165,220 reduction to the appropriation due to a 9C cut. The Commonwealth's appropriation increased by 9.7% or \$1,217,080 to \$13,742,576 in fiscal year 2014. The increase is primarily due to a \$276,537 increase in state funded fringe benefit costs, \$343,833 from the new statewide performance-based funding formula, a \$393,071 increase over last year's supplemental appropriation to cover collective bargaining costs, and \$123,712 in additional funds for the Vision project.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Overview of the Financial Statements - Continued

State supported tuition remitted to the Commonwealth increased, from \$374,503 in fiscal year 2014 to \$397,992 in fiscal year 2015. The College was able to retain \$97,936 in non-resident tuition collected during fiscal year 2015, which was then used to pay for personnel expenditures.

Capital Assets and Noncurrent Liabilities of the College

Capital Assets

The College's investment in capital assets, net of accumulated depreciation as of June 30, 2015 and 2014 amounts to \$14,295,551 and \$14,394,103, respectively. This investment in capital assets includes land, building (including improvements), furnishings and equipment (including the cost of capital leases).

The following capital investments were made during fiscal years 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Building improvements	\$ 21,451	\$ 1,263,495
Construction in progress	1,368,158	505,458
Furnishings and equipment	453,094	261,071
	<u>\$ 1,842,703</u>	<u>\$ 2,030,024</u>

Noncurrent Liabilities

The College's long-term liabilities consist of accruals for compensated absences and workers' compensation, and long-term portions of capital lease obligations for an energy conservation project. The accrual for compensated absences consists of the long-term portion of compensatory time, sick and vacation pay relating to employees on the Commonwealth's payroll. The long-term portion of capital lease obligations amounted to \$0 and \$703,505 net of amortized discount, as of June 30, 2015 and 2014, respectively. In December 2014, the College paid \$715,531 to exercise an early capital lease termination clause related to the energy cell. The result of the early termination is the elimination of the short and long-term portions of the capital lease obligation of \$1,137,110 and a corresponding reduction in the net carrying value of the asset by \$421,578.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015 and 2014

Economic Factors and Next Year's Tuition and Student Fee Rates

Economic and budgetary conditions for Cape Cod Community College continue to be challenging. Given the fee increases that went into effect for fall 2014 and the enrollment declines over the last several years, the College will not increase per credit hour fees in fiscal 2016.

Additional Information

The fiscal year 2016 operating budget assumes an overall 5.6% projected decline in credit enrollment due to a better than expected summer semester. A 7.5% decline was included in the budget for both the fall and spring semesters, but early indications for the fall semester reveal an enrollment decline of approximately 4%. The College's enrollment management team has increased its efforts to improve the student intake process and to identify, recruit and retain recent and prospective students, which appears to have had a positive impact on enrollment this fall. The College also engaged Davis Advertising in spring 2015 to assist in implementing a new marketing strategy and brand with an intensive push to reach key prospective students and their networks over the summer using industry tested methods. Improving enrollment, retention, and completion will continue to be critical given the increasing focus on the state's performance-based funding model.

The College is also projecting \$175,000 in additional fee revenue from the new Airframe and Powerplant program that is expected to begin in January 2016. DCAMM initiated in May 2015 a Request for Proposal (RFP) on behalf of the College to lease hangar space. The winning bidder's hangar is located in Plymouth, Massachusetts and will house the aviation program where students will receive classroom instruction and hands-on training. Funding for the initial start-up costs for equipment, tools, instructors, supplies, etc. will come from a federal Dept. of Labor grant and a supplemental state appropriation. The College has received the Board of Higher Education's approval of the accelerated dual certificate programs in Airframe and Powerplant and an Associate of Applied Science degree in Aviation Maintenance Technology. The remaining hurdle before the program can begin is to obtain Federal Aviation Administration (FAA) approval for the hangar & classroom space, which is expected to occur after the fall 2015 renovations are completed to FAA specifications.

Request for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Vice President of Finance and Operations, Cape Cod Community College, 2240 Iyannough Road, West Barnstable, Massachusetts 02668-1599.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2015

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2015

Assets and Deferred Outflows of Resources

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Current Assets:		
Cash and equivalents (Note 3)	\$ 4,430,777	\$ 635,744
Cash held by state treasurer (Note 4)	1,303,026	-
Accounts receivable, net (Note 5)	1,259,007	26,205
Pledges receivable (Note 6)	-	57,600
Prepaid and other assets	142,894	-
Total Current Assets	7,135,704	719,549
Non-Current Assets:		
Certificates of deposit (Note 3)	4,112,958	-
Long-term investments	-	8,381,876
Pledges receivable (Note 6)	-	7,450
Funds held by others	20,000	-
Capital assets, net of accumulated depreciation (Note 7)	14,295,551	-
Total Non-Current Assets	18,428,509	8,389,326
Total Assets	25,564,213	9,108,875
Deferred Outflows of Resources:		
Changes in plan actuarial assumptions	33,461	-
Changes in proportion due to internal allocation	510,860	-
Contributions made after the measurement date	266,529	-
Total Deferred Outflows of Resources	810,850	-
Total Assets and Deferred Outflows of Resources	\$ 26,375,063	\$ 9,108,875
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 713,930	\$ 285,784
Accrued payroll	1,525,502	-
Compensated absences (Note 8)	1,673,415	-
Workers' compensation (Note 8)	63,322	-
Student deposits and unearned revenues	491,624	-
Other unearned revenues	150,803	-
Total Current Liabilities	4,618,596	285,784
Non-Current Liabilities:		
Compensated absences (Note 8)	717,491	-
Workers' compensation (Note 8)	227,148	-
Funds held for others	-	20,000
Net pension liability	2,976,652	-
Total Non-Current Liabilities	3,921,291	20,000
Total Liabilities	8,539,887	305,784
Deferred Inflows of Resources:		
Differences between projected and actual earnings of plan investments	610,954	-
Changes in proportion from Commonwealth	1,031	-
Total Deferred Inflows of Resources	611,985	-
Net Position:		
Investment in capital assets, net	14,295,551	-
Restricted:		
Nonexpendable	20,000	5,547,814
Expendable	-	3,229,241
Unrestricted (Note 9)	2,907,640	26,036
Total Net Position	17,223,191	8,803,091
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 26,375,063	\$ 9,108,875

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Revenues and Expenses

For the Year Ended June 30, 2015

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Operating Revenues:		
Tuition and fees	\$ 12,087,485	\$ -
Less: scholarship allowances	<u>(5,165,508)</u>	<u>-</u>
Net student fees	6,921,977	-
Federal, state, local, and private grants and contracts	8,120,829	-
Gifts and contributions	-	1,201,744
Auxiliary enterprises	154,736	-
Other sources	<u>1,317,205</u>	<u>-</u>
Total Operating Revenues	<u>16,514,747</u>	<u>1,201,744</u>
 Operating Expenses (Note 11):		
Instruction	13,973,611	-
Academic support	3,513,626	-
Student services	5,433,913	-
Scholarships and fellowships	1,574,549	181,138
Public service	504,664	-
Operation and maintenance of plant	2,758,400	-
Institutional support	3,696,329	328,668
Depreciation and amortization	<u>1,116,017</u>	<u>-</u>
Total Operating Expenses	<u>32,571,109</u>	<u>509,806</u>
Net Operating Income (Loss)	<u>(16,056,362)</u>	<u>691,938</u>
 Non-Operating Revenues (Expenses):		
State appropriations - unrestricted (Note 12)	14,182,593	-
State appropriations - restricted (Note 12)	822,015	-
Transfers to the college from the foundation	220,785	(220,785)
Net investment income	<u>27,578</u>	<u>169,075</u>
Total Net Non-Operating Revenues (Expenses)	<u>15,252,971</u>	<u>(51,710)</u>
 Net Income (Loss) Before Other Revenues	(803,391)	640,228
Capital appropriations (Note 12)	<u>989,882</u>	<u>-</u>
Total Increase in Net Position	<u>\$ 186,491</u>	<u>\$ 640,228</u>

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Changes in Net Position

For the Year Ended June 30, 2015

	<u>College</u>				
	<u>Investment in Capital Assets, Net</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance June 30, 2014, as previously reported	\$ 13,256,993	\$ 20,000	\$ -	\$ 6,470,360	\$ 19,747,353
Implementation of newly effective accounting principle (Note 2)	-	-	-	(2,710,653)	(2,710,653)
Balance, June 30, 2014 as restated	13,256,993	20,000	-	3,759,707	17,036,700
Change in net position for 2015	<u>1,038,558</u>	<u>-</u>	<u>-</u>	<u>(852,067)</u>	<u>186,491</u>
Balance, June 30, 2015	<u>\$ 14,295,551</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 2,907,640</u>	<u>\$ 17,223,191</u>
	<u>Foundation</u>				
	<u>Investment in Capital Assets, Net</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2014	\$ -	\$ 5,079,410	\$ 2,961,942	\$ 121,511	\$ 8,162,863
Change in net position for 2015	-	<u>468,404</u>	<u>267,299</u>	<u>(95,475)</u>	<u>640,228</u>
Balance, June 30, 2015	<u>\$ -</u>	<u>\$ 5,547,814</u>	<u>\$ 3,229,241</u>	<u>\$ 26,036</u>	<u>\$ 8,803,091</u>

See accompanying notes to the financial statements.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows

For the Year Ended June 30, 2015

Cash Flows from Operating Activities:	
Tuition and student fees	\$ 6,706,690
Grants and contracts	7,808,495
Payments to suppliers	(8,232,386)
Payments to employees	(17,960,850)
Payments to students	(1,574,549)
Other cash receipts	<u>1,580,184</u>
Net Cash Applied to Operating Activities	<u>(11,672,416)</u>
Cash Flows from Non-Capital Financing Activities:	
State appropriations	12,454,667
Tuition remitted to state	(397,992)
9C reduction	(165,220)
Gifts and contributions	<u>220,785</u>
Net Cash Provided by Non-Capital Financing Activities	<u>12,112,240</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(449,161)
Payments on capital leases	<u>(715,531)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(1,164,692)</u>
Cash Flows from Investing Activity:	
Interest on investments	<u>2,575</u>
Net Decrease in Cash and Equivalents	(722,293)
Cash and Equivalents, Beginning of Year	<u>6,456,096</u>
Cash and Equivalents, End of Year	<u>\$ 5,733,803</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows - Continued

For the Year Ended June 30, 2015

**Reconciliation of Net Operating Loss to
Net Cash Applied to Operating Activities:**

Net operating loss	\$ (16,056,362)
Adjustments to reconcile net loss to net cash applied to operating activities:	
Depreciation	1,116,017
Fringe benefits provided by the State	3,113,153
Change in plan actuarial assumptions	(33,461)
Change in proportion due to internal allocation	(510,860)
Differences between projected and actual earnings on investments	610,954
Changes in proportion from Commonwealth	1,031
Changes in assets and liabilities:	
Accounts receivable	(191,876)
Prepaid and other current assets	10,013
Contributions made after the measurement date	(30,684)
Accounts payable and accrued liabilities	435,039
Accrued employee compensation and benefits	61,969
Students' deposits and other unearned revenues	(227,503)
Net pension liability	<u>30,154</u>
Net Cash Applied to Operating Activities	<u>\$ (11,672,416)</u>

Reconciliation of Cash and Equivalents, End of Year

Cash and equivalents	\$ 4,430,777
Cash held by State Treasurer	<u>1,303,026</u>
Total	<u>\$ 5,733,803</u>

Non-Cash Transactions:

Fringe benefits provided by the State	<u>\$ 3,113,153</u>
Capital appropriations	<u>\$ 989,882</u>
Reinvested interest on investments	<u>\$ 25,007</u>
Decrease in capital lease obligations due to termination of capital lease	<u>\$ 421,578</u>
Decrease in capital asset values due to termination of capital lease	<u>\$ 421,578</u>

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies**

Organization

Cape Cod Community College (the "College") is a state-supported comprehensive two-year college that offers an education leading to Associate degrees in the Arts and Sciences, as well as one-year certificate programs. From its primary campus located in West Barnstable, Massachusetts, along with other centers, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies and business fields of study. The College also offers, through the Division of Continuing Education, credit and noncredit courses, as well as community service programs. The College is accredited by the New England Association of Schools and Colleges.

Basis of Presentation and Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues and expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

The College has determined that it functions as a business-type activity, as defined by GASB. The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements including the College's discretely presented component unit and required supplementary information. The College presents statements of net position, revenues and expenses, changes in net position and cash flows on a combined College-wide basis.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation and Accounting - Continued

The College's policies for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts and interest expense.

The College's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements.

Cape Cod Community College Educational Foundation, Inc. (the "Foundation") is a legally separate tax-exempt component unit of Cape Cod Community College, established in November 1983. The Foundation was established to promote and support the furtherance of the educational and cultural mission of the College and acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by, or are for, the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation and Accounting - Continued

In reliance on the guidance issued by the Massachusetts Department of Higher Education, the College and its discretely presented component unit have classified the prior matching contributions from the Commonwealth of Massachusetts to the Endowment Incentive Program, as well as the underlying gift from the donor, in accordance with either the donor's original intent or this previously issued guidance. Accordingly, these amounts may be classified as restricted nonexpendable, restricted expendable, or unrestricted.

A complete copy of the financial statements for the Foundation can be obtained from the Executive Director of the Cape Cod Community College Educational Foundation, Inc. at 2240 Iyannough Road, West Barnstable, MA 02668-1599.

Net Position

Resources are classified for accounting purposes into the following four net position categories:

Investment in capital assets, net: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted - nonexpendable: Net position subject to externally imposed conditions requiring the College to maintain the funds in perpetuity.

Restricted - expendable: Net position that is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position are designated for academic and capital programs and initiatives.

The College has adopted a policy of generally utilizing restricted – expendable funds, when available, prior to unrestricted funds.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Trust Funds

In accordance with the requirements of the Commonwealth of Massachusetts, the College's operations are accounted for in several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Cash and Equivalents

The College considers cash held by the State Treasurer and all short term debt securities purchased with maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities are stated at fair value. Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statement of revenues, expenses and changes in net position. Any net earnings not expended are included in net position categories as follows:

- (i) as increases in restricted – nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- (ii) as increases in restricted – expendable net position if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The College has relied upon the Attorney General's interpretation of state law that unappropriated endowment gains should generally be classified as restricted – expendable; and
- (iii) as increases in unrestricted net position in all other cases.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Capital Assets - Continued

College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

The College does not have collections of historical treasures, works of art or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

Capital assets are controlled, but not owned by the College. The College is not able to sell or otherwise pledge its assets, since the assets are owned by the Commonwealth.

Student Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred and recorded as revenues as earned.

Fringe Benefits

The College participates in the Commonwealth's Fringe Benefit programs, including health insurance, unemployment, pension, workers' compensation and certain post-retirement benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College. The Commonwealth provides workers' compensation coverage to its employers on a self-insured basis. The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation costs are actuarially determined based on the College's actual experience.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employees' Retirement System plan ("SERS") and the additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2015. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of state service at June 30, 2015. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Grants

The College receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency.

Allowance for Doubtful Accounts

The College periodically evaluates accounts receivable for collectability based on past history and current economic conditions.

Student Fees

Student tuition and fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to students and are generally reflected as expenses.

Income Tax Status

The College is an agency of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements

Fair Value Measurement and Application-GASB Statement 72, is effective for periods beginning after June 15, 2015. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation methodologies should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value which are as follows: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable, directly or indirectly. Level 3 inputs are unobservable inputs such as management's assumptions about certain factors affecting the value of the asset or liability. Management is in the process of evaluating the implementation of this Statement, but does not expect any material effect to its financial position.

Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 – GASB Statement 73. The provisions of this Statement applicable to the College are effective for periods beginning after June 15, 2015. The purpose of these provisions is to clarify and enhance certain reporting requirements of GASB Statements 67 and 68. GASB Statement 68 is effective for the fiscal year ended June 30, 2015. Management has not yet evaluated the effects of the implementation of GASB Statement 73.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements - Continued

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – GASB Statement 75, is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB. Management has not yet evaluated the effects of the implementation of this Statement.

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – GASB Statement 76, supersedes similarly named Statement 55 and is effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (“GAAP”). The hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment of a transaction or other event is not specified within a source of authoritative GAAP. Management is currently reviewing this pronouncement, implementation of which must be applied retroactively.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 2 - **Implementation of Newly Effective Accounting Standard**

As a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, the College has restated net position in the statement of net position by \$2,710,653 as of June 30, 2014. The prior period restatement of net position reflects the recognition of a net pension liability as of June 30, 2015, as required by the application of GASB 68.

	<u>As Previously Reported</u>	<u>Restated</u>
As of June 30, 2014:		
Deferred outflow	\$ -	\$ 235,845
Net pension liability	\$ -	\$ 2,946,498
Unrestricted net position	\$ 6,470,360	\$ 3,759,707

Note 3 - **Cash and Investments**

Deposits and Investments

Deposits and investments consist of the following at June 30, 2015:

Cash and equivalents (including money market)	\$ 4,430,777
Certificates of deposit	<u>4,112,958</u>
Total Cash, Equivalents and Investments	\$ <u>8,543,735</u>

Custodial Risk

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its balance in excess of amounts insured by the federal Deposit Insurance Corporation (FDIC). Deposits in the banks in excess of the insured amount are uninsured and uncollateralized. The College has a formal deposit policy for custodial credit risk whereby deposits in the bank in excess of the insured amount are insured and collateralized by a third party. Cash, equivalents and investments as of June 30, 2015 were secured by an irrevocable stand-by letter of credit with the Federal Home Loan Bank of Pittsburg in the amount of fifteen million.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 3 - **Cash and Investments - Continued**

Investment Policy

In accordance with Chapter 15A of the Massachusetts General Laws, the Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the state legislature or derived from federal allocations. The principal objectives of the investment policy are: (1) preservation of capital and safety of principal, (2) minimizing price volatility, (3) liquidity, (4) return on investment, and (5) diversification. The Board of Trustees supports the investments of trust funds in a variety of vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality and mutual funds holding in any or all of the above. The Board of Trustees has established investment fund ceilings and broad asset allocation guidelines, but it delegates to the President or his designee the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

Deposit and Investment Maturities

The College's investments and maturities consist of the following at June 30, 2015:

<u>Investment type</u>	<u>Investments</u>				
	<u>Fair value</u>	<u>Investment maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Money Market	\$ 4,261,179	\$ 4,261,179	\$ -	\$ -	\$ -
Certificates of Deposit	4,112,958	-	4,112,958	-	-
	<u>\$ 8,374,137</u>	<u>\$ 4,261,179</u>	<u>\$ 4,112,958</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

All of the above investments are at TD Bank, N.A.

Other Matters

The College does not have debt investments, foreign currency investments, securities lending transactions or derivative investments.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 3 - **Cash and Investments - Continued**

Cape Cod Community College Educational Foundation, Inc.

The Foundation's investments consist of the following at June 30, 2015:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Equity mutual funds	\$ 3,672,957	\$ 5,560,808	\$ 1,887,851
Bond mutual funds	2,830,698	2,821,068	(9,630)
Total investments	\$ 6,503,655	\$ 8,381,876	\$ 1,878,221

The following schedule summarizes the investment return for the year ended June 30, 2015:

Interest and dividends	\$ 170,576
Realized gains	51,406
Unrealized gains (losses)	(4,908)
Investment fees	(47,999)
Total investment return	\$ 169,075

Note 4 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$1,303,026 at June 30, 2015. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 5 - **Accounts Receivable**

The College's accounts receivable include the following at June 30, 2015:

Student accounts receivable	\$ 1,255,162
Grants receivable	238,840
Other receivable	<u>140,005</u>
	1,634,007
Less: allowance for doubtful accounts	<u>(375,000)</u>
Total accounts receivable, net	<u>\$ 1,259,007</u>

Note 6 - **Pledges Receivable**

The Foundation has pledges receivable as of June 30, 2015 which are expected to be realized in the following time periods:

Less than one year	\$ 57,600
Between one and five years	<u>7,450</u>
	65,050
Less: discount at 1.738%	<u>-</u>
Pledges receivable, net	<u>\$ 65,050</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 7 - **Capital Assets**

Capital assets of the College consist of the following at June 30, 2015:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress	—	\$ 536,186	\$ 1,368,158	\$ -	\$ (403,658)	\$ 1,500,686
Land	—	82,355	-	-	-	82,355
Total not depreciated		<u>618,541</u>	<u>1,368,158</u>	<u>-</u>	<u>(403,658)</u>	<u>1,583,041</u>
Capital assets depreciated:						
Building, including improvements	20-40	38,506,668	1,280	(421,578)	20,171	38,106,541
Furnishings and equipment (including cost of capital leases)	5-10	6,212,291	69,605	-	383,487	6,665,383
Total depreciated		<u>44,718,959</u>	<u>70,885</u>	<u>(421,578)</u>	<u>403,658</u>	<u>44,771,924</u>
Less: accumulated depreciation:						
Building, including improvements		(25,639,668)	(795,553)	-	-	(26,435,221)
Furnishings and equipment		(5,303,729)	(320,464)	-	-	(5,624,193)
Total accumulated depreciation		<u>(30,943,397)</u>	<u>(1,116,017)</u>	<u>-</u>	<u>-</u>	<u>(32,059,414)</u>
Capital assets, net		<u>\$ 14,394,103</u>	<u>\$ 323,026</u>	<u>\$ (421,578)</u>	<u>\$ -</u>	<u>\$ 14,295,551</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 8 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2015, consist of the following:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Lease obligations	\$ 1,057,505	\$ -	\$ (1,057,505)	\$ -	\$ -	\$ -
Other long-term liabilities:						
Compensated absences	2,286,598	104,308	-	2,390,906	1,673,415	717,491
Workers' compensation	290,552	-	(82)	290,470	63,322	227,148
Net pension liability	2,946,498	30,154	-	2,976,652	-	2,976,652
Total other long term liabilities	<u>5,523,648</u>	<u>134,462</u>	<u>(82)</u>	<u>5,658,028</u>	<u>1,736,737</u>	<u>3,921,291</u>
Total long-term liabilities	<u>\$ 6,581,153</u>	<u>\$ 134,462</u>	<u>\$ (1,057,587)</u>	<u>\$ 5,658,028</u>	<u>\$ 1,736,737</u>	<u>\$ 3,921,291</u>

Leases

The College leased equipment for an energy conservation project under a 20-year capital lease, which was to expire on June 30, 2019. The project was funded through guaranteed energy savings. Assets purchased under the guaranteed energy savings agreement were recorded based on guaranteed savings as stipulated in the agreement and were depreciated over their estimated useful lives. During 2015, the College renegotiated the lease and settled the liability in full for \$715,531. The early extinguishment of the capital lease obligation resulted in a reduction in the cost of the capital asset of approximately \$422,000.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 8 - **Long-Term Liabilities - Continued**

The College subleases office and classroom space for its Hyannis campus center from the Foundation under an operating lease agreement expiring in September 2029. Rental expense for operating leases was \$200,200 for the year ended June 30, 2015. The following schedule summarizes future minimum payments due under non-cancelable leases as of June 30, 2015:

<u>Years Ending June 30,</u>	<u>Operating Leases</u>
2016	\$ 200,200
2017	200,200
2018	200,200
2019	216,883
2020	220,220
2021-2025	1,141,474
2026-2030	767,100
	<u>\$ 2,946,277</u>

Note 9 - **Unrestricted Net Position**

The College's Board of Trustees has designated unrestricted net position at June 30, 2015, as follows:

Deferred maintenance, adaptation and renewal	\$ 1,163,056
Instructional and information technology	1,017,674
Academic equipment and materials	<u>726,910</u>
Total unrestricted net position	<u>\$ 2,907,640</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 10 - **Commitments and Contingencies**

Federal, State, and Private Contracts and Grants

The College receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the College. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition of the College.

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept as payment of tuition the amount determined by this Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of this program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the College.

Litigation

The College is periodically involved in legal actions arising in the ordinary course of business. Costs for all known claims not covered by insurance, if any, are recognized in the financial statements. Although the ultimate outcome of certain of these actions cannot be determined, management's opinion is that the College has adequate legal defense with respect to each of these actions, and that the amount of any additional liability would not have a material impact on the financial statements.

Note 11 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, are composed of the following for the year ended June 30, 2015:

Compensation and benefits	\$ 24,476,732
Supplies and services	5,403,811
Depreciation and amortization	1,116,017
Scholarships and fellowships	1,574,549
	<u>\$ 32,571,109</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 12 - **State Appropriation**

The College's state appropriations are composed of the following at June 30, 2015:

Direct unrestricted appropriations	\$ 11,632,652
Add: fringe benefits for benefited employees on the state payroll	3,113,153
Less: 9C reduction	(165,220)
Less: day school tuition remitted to the state and included in tuition and fee revenue	(397,992)
Total unrestricted appropriations	14,182,593
Restricted appropriations	822,015
Capital appropriations	989,882
Total appropriations	\$ 15,994,490

Note 13 - **Pensions**

Defined Benefit Plan Description

The College makes contributions for employees paid by state appropriations through a benefit charge assessed by the Commonwealth. Such pension expense amounted to \$1,503,490 for the year ended June 30, 2015. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was approximately 73% of annual total payroll for the College in 2015.

Certain employees of the College participate in a cost-sharing multiple-employer defined benefit pension plan – the Massachusetts State Employees' Retirement System – administered by the Massachusetts State Board of Retirement (the "Board"), which is a public employee retirement system (PERS). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The Massachusetts State Employees' Retirement System does not issue a stand-alone financial statement.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 13 - **Pensions – Continued**

Benefit Provisions

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

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

Contributions

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

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

<u>Hire Date</u>	<u>Percentage of Compensation</u>
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The College is required to contribute at an actuarially determined rate; the rate was 10.39% of annual covered payroll for the fiscal year ended June 30, 2015. The College contributed \$266,529 for the fiscal year ended June 30, 2015, equal to 100% of the required contributions for each year.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 13 - **Pensions – Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the College reported a liability of \$2,976,652 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2014. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2014 relative to total contributions of all participating employers for that fiscal year. At June 30, 2014, the College's proportion was 0.044%.

For the year ended June 30, 2015, the College recognized pension expense of \$333,663. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Changes in plan investment assumptions	\$ 33,461
Changes in proportion due to internal allocation	510,860
Contributions subsequent to the measurement date	<u>266,529</u>
Total	\$ <u>810,850</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 610,954
Changes in proportion from Commonwealth	<u>1,031</u>
Total	\$ <u>611,985</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 13 - **Pensions – Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources - Continued

Contributions of \$266,529 are reported as deferred outflows of resources related to pensions resulting from the College contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2016	\$ (32,007)
2017	(32,007)
2018	(32,007)
2019	(32,007)
2020	<u>60,364</u>
Total	\$ <u>(67,664)</u>

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% to 9.00%
Investment rate of return	8.00%

Mortality rates were based on pre-retirement of RP-2000 Employees table projected 20 years with Scale AA (gender distinct) and post-retirement of Healthy Annuitant table projected 15 years with Scale AA (gender distinct).

The actuarial assumptions used in the January 1, 2014 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of actuarial experience study performed as of January 1, 2014.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 13 - **Pensions – Continued**

Actuarial Assumptions - Continued

Investment assets of SERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43%	7.20%
Core Fixed Income	13%	2.50%
Hedge Funds	10%	5.50%
Private Equity	10%	8.80%
Real Return	10%	6.30%
Value Added Fixed Income	10%	6.30%
Timber/Natural Resources	<u>4%</u>	5.00%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 13 - **Pensions – Continued**

Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate of 8.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00%)
\$ 4,309,348	\$ 2,976,652	\$ 1,832,716

Note 14 - **Fringe Benefits Provided by State**

Fringe Benefits

The College participates in the Commonwealth’s Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension, and workers’ compensation benefits. Health insurance and pension costs (described in the subsequent paragraph) for active employees and retirees are paid through a fringe benefit rate charged to the College by the Commonwealth, and currently the liability is borne by the Commonwealth, as are any effects on net assets and the results of current year operations, due to the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth’s employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 14 - **Fringe Benefits Provided by State - Continued**

Group Insurance Commission

The Commonwealth's Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC administers a plan included within the State Retire Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

The GIC is a quasi-independent state agency governed by an eleven member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2015, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 15 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System (MMARS) on the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 15 - **Massachusetts Management Accounting and Reporting System - Continued**

No timing differences occurred where the College had additional revenue that was reported to Massachusetts Management Accounting and Reporting System (MMARS) after June 30, 2015.

Note 16 - **Pass-Through Grants**

The College distributed \$2,275,433 during 2015, respectively, for student loans through the U.S. Department of Education Federal Family Education Loan Program (FFELP). These distributions and related funding sources are not included as expenses and revenues, or as cash disbursements and cash receipts in the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of the Net Pension Liability (Unaudited)

Valuation was performed as of January 1, 2014 and adjusted through June 30, 2014 (measurement date)

Proportion of the collective net pension liability	0.040%
Proportionate share of the collective net pension liability	\$ 2,976,652
College's covered-employee payroll	\$ 2,974,086
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.09%
Plan fiduciary net position as a percentage of the total pension liability	76.32%

Notes:

The Schedule is intended to show ten years. Information is only available for one year. The valuation was performed as of January 1, 2014 and adjusted through June 30, 2014.

See accompanying notes to the required supplemental information.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions (Unaudited)

For the Year Ended June 30, 2015

Contractually required contribution	\$ 266,529
Contributions in relation to the contractually required contribution	<u>(266,529)</u>
Contribution excess	<u>\$ -</u>
Covered-employee payroll	\$ 2,565,242
Contribution as a percentage of covered-employee payroll	10.39%

Notes:

Employers participating in the Massachusetts State Employees' Retirement System are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The Schedule is intended to show ten years. Information is only available for one year.

See accompanying notes to the required supplemental information.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information (unaudited)

For the Year Ended June 30, 2015

Note 1 - **Change in Assumptions**

Changes in assumptions about future economic or demographic factors and inputs resulted in additional plan wide pension expense of \$102 million dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statement of net position. The College's proportionate share of the net pension liability and the results of changes in assumptions is .040%, as shown on the Schedule of Proportionate Share of Net Pension Liability, and represent the relationship of contributions made by the College to total contributions by all participating State Agencies.

The College's portion of these amounts is as follows:

Changes in assumptions	\$ 40,897
Recognized in current year pension expense	<u>7,436</u>
Deferred outflows of resources	\$ <u>33,461</u>

**Independent Auditors' 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***



Independent Auditors' 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 Trustees of
Cape Cod Community College
West Barnstable, 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 Cape Cod Community College (the "College"), which comprise the statement of net position as of June 30, 2015, the related statement of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Cape Cod Community College's basic financial statements and have issued our report thereon dated October 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cape Cod Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 23, 2015